

# Pacific Coal Resources Ltd. announces 2012 year-end financial results

30.04.2013 | [CNW](#)

TORONTO, April 30, 2013 /CNW/ - [Pacific Coal Resources Ltd.](#) (TSXV: PAK) has filed today its audited annual consolidated financial statements for year ended December 31, 2012, together with its management's discussion and analysis ("MD&A") and annual information form 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 2012, the Company faced operational issues and a contraction of international coal prices. The Company endured this, undertaking a substantive revitalization and altering its strategic focus, including a re-focus on core competencies and significant operational changes at our producing thermal coal mine sites." Looking to 2013, Mr. Martinez said "This year, we look forward to realizing the benefits of the strategic re-focus and to creating further efficiency and bolstering Company performance."

## Financial and Operating Summary

A summary of the financial and operating results for the fourth quarter and full year of 2012 is as follows:

(000's except per share and operating data)	Fourth Quarter		Twelve Months Ended December	
	2012	2011	2012	2011
<b>Operational</b>				
Tonnes of coal produced	274,756	356,541	1,268,082	1,426,750
Average stripping ratio - operations	11.11:1	7.79:1	10.71:1	7.48:1
Tonnes of coal sold (1)	304,165	477,127	1,270,114	1,694,516
Average realized price per tonne sold	\$ 99.96	\$ 101.12	\$ 98.22	\$ 98.62
Operating margin per tonne sold	(12.90)	4.03	(13.57)	7.38
<b>Financial</b>				
Revenues	\$ 30,401	\$ 48,813	\$ 129,055	\$ 167,690
Gross margin	(5,908)	(618)	(26,355)	5,753
Net (loss) earnings attributed to shareholders (2)	(49,868)	(7,236)	(123,752)	(53,616)
Basic and fully diluted (loss) earnings per share (3)	(1.08)	(0.15)	(2.69)	(1.23)
Total cash	4,102	11,062	4,102	11,062
Total assets	242,047	369,562	242,047	369,562
Total debt (4)	58,584	40,434	58,584	40,434

(1) Includes coal purchased from third parties for sale.

(2) The net loss for the fourth quarter of 2012 included a \$39.2 million and \$8.5 million impairment of Cerro Largo and Jam operations respectively. The net loss for the year ended December 31, 2012 includes an \$8.1 million impairment triggered by the re-classification of the Company's subsidiary, Sociedad Portuaria Terminal de las Flores S.A., to be held for sale and a \$35.6 million impairment of the Cerro Largo operation. See the section "Impairment of non-current assets" in the MD&A.

(3) At a special meeting of shareholders held on March 11, 2013, the Company's shareholders approved a share consolidation pursuant to which seven old common shares of the Company were exchanged for one new common share. This also resulted in a consolidation of the Company's outstanding share purchase warrants and stock options.

(4) The total debt amount includes \$27.6 million owed to Masering S.A.S. at December 31, 2012 (December

31, 2011 - \$4.5 million).

## 2012 Highlights

- The Company produced 1,268,082 tonnes of coal in 2012. Production at Cerro Largo in the fourth quarter of 86,414 tonnes was consistent with the fourth quarter of 2011, although production at La Caypa of 188,342 tonnes was lower, based primarily on the change in operator change.
- Total revenues in 2012 of \$129.1 million reflect sales of approximately 1.3 million tonnes of coal at an average realized price of \$98.22 per tonne. Total revenues for the fourth quarter of 2012 were \$30.4 million on coal sales of 304,165 tonnes, at an average realized price of \$99.96 per tonne. Coal sales in the fourth quarter of 2012 were approximately 70% on an FOB basis.
- The total operating margin loss on a per tonne sold basis in the fourth quarter of 2012 was 5% lower than the 2012 operating margin loss, but higher than the third quarter of 2012, primarily due to a short-term production stoppage at the La Caypa mine as the Company replaced the mine operator.
- In the second half of 2012, the Company worked to identify its operational issues and consider changes to its future strategic plans. This led to a new mine operator being implemented at La Caypa and the Company signing a memorandum of understanding in January 2013 to explore entering into a joint venture to utilize Cerro Largo's thermal coal for a power plant operation.
- As a result of re-focusing the Company's long-term plans, the Company sold its investment in Blue Advanced Colloidal Fuels ("BACF") for cash proceeds of \$5.0 million in the fourth quarter of 2012, but retained the right to purchase up to 10% of BACF for \$10 million in the future. The cash proceeds were used in the Company's operating and selling activities at its producing coal and coke sites.
- The Company initiated cost saving initiatives in the second quarter of 2012. During the fourth quarter of 2012, these initiatives contributed to the 26% decrease in G&A expenses to \$2.3 million compared to \$3.1 million in the third quarter of 2012, in addition to the 29% and 6% decreases already realized in the second and third quarters of 2012 respectively. The Company anticipates a quarterly G&A run rate of approximately \$1.9 million in 2013.
- The Company has suspended updating the Company's mine 43-101 technical reports for the La Caypa and Cerro Largo mines due to the Company's operational changes in the fourth quarter of 2012, with the plan to re-start studies in the second quarter of 2013 and an anticipated release of the reports at the end of the third quarter of 2013.
- The net loss of \$49.9 million (\$1.08 per share) in the fourth quarter of 2012 includes \$39.2 million (\$0.85 per share) and \$8.5 million (\$0.18 per share) non-cash impairment writedowns of Cerro Largo and Jam, respectively. These impairments were triggered by changes to the mine plan and increases to the entities working capital deficit in the case of Cerro Largo, and reductions in international metallurgical coal and coke prices for Jam.

## Outlook

The Company concluded 2012 with a brighter outlook on the future after enduring a year with various operational issues, as well as an international contraction in coal prices. The Company persevered, minimizing costs where required and implemented operational plans devised by the strong, new senior management team. Minimizing costs included replacing the operator at the La Caypa mine and commencing plans to self-operate Cerro Largo, both significant decisions that the Company believes will assist in bringing costs to reasonable levels.

At La Caypa, the Company replaced the mine operator with Masering, the former operator at Cerro Largo. Masering commenced operations at the site in February 2013. Significant progress has been made with the development work at the south pit and production is expected to commence in the first quarter of 2014. The Company is in the process of hiring a leading international underground operator at La Caypa with the expectation for underground mining to also begin in the first quarter of 2014. With Masering in place as operator, the Company anticipates producing 1.0 million tonnes of coal from La Caypa mine in 2013, a 12% increase over the production results of 2012.

At Cerro Largo, in an effort to continue to reduce operating costs, the Company assumed operations from Masering in April 2013. The Company overcame the issue with mud concentrations at the bottom of the mine's open-pit in October 2012, which assisted in reducing the mine's stripping ratio by 16% between the

third quarter and the fourth quarter of 2012. The Company believes that production from the Cerro Largo mine will be 600,000 tonnes in 2013, a 60% increase from the tonnage produced in 2012.

The Company's metcoal production at the Jam mine was suspended and coke production was limited through the second half of 2012 as a consequence of high costs and weak international prices. In the fourth quarter of 2012, the Company decided that the optimal decision for Jam was to enter into a commercial relationship with another mining company that has experience producing metcoal and coke, and then using the coke in its future operations or selling it to third parties. With this approach in mind, the Company believes it can finalize a deal that would result in coke plant production ramp-up starting in May 2013. The Company is continuing to also look into various alternatives for refurbishment of the Jam mine to maximize operational efficiency, with hopes to re-start metcoal production in the second quarter of 2014.

The Company has signed an agreement with a third-party to perform analysis of the results of asphaltite exploration at the La Tigra property, at the third-party's cost, to determine the site's prospects. The analysis is expected to be completed in the second quarter of 2013, at which time the Company will determine an adequate course of action for the property.

#### **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 and warrants are listed on the TSX Venture Exchange and trade under the symbol "PAK" and "PAK.WT" respectively.

#### **Forward Looking Information:**

*This news release contains "forward-looking information", which may include, but is not limited to, statements with respect to the future financial or operating performance of the Company and its projects. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Pacific Coal to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements contained herein are made as of the date of this press release and Pacific Coal disclaim, other than as required by law, any obligation to update any forward-looking statements whether as a result of new information, results, future events, circumstances, or if management's estimates or opinions should change, or otherwise. 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. Accordingly, the reader is cautioned not to place undue reliance on forward-looking statements.*

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#### **For further information:**

[Pacific Coal Resources Ltd.](#)

Melissa Krishna  
Deputy General Counsel & Secretary  
(416) 360-8725  
[www.pacificcoal.ca](http://www.pacificcoal.ca)

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