

Pacific Coal Resources Ltd.: Announces 2014 Year-End Financial Results

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[Pacific Coal Resources Ltd.](#) (TSXV: PAK) has filed its audited annual consolidated financial statements for year ended December 31, 2014, 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 and under the Company's profile at www.sedar.com.

Hernan Martinez, Executive Chairman, commented: "2014 presented the Company with a number of challenges including declining coal prices and unexpected adverse geological conditions at La Caypa, however the Company has been able to overcome these obstacles, despite the unavoidable impairment at the Company's assets. This is evident in the Company's plan to (i) tackle the working capital deficit at Cerro Largo by entering into the Sloane JOA, thereby creating an income stream for the Company; (ii) by negotiating with the operator at La Caypa to offset the effects of the adverse geological conditions; and (iii) further reducing the G&A run rate to surpassing the Company's 2014 goal. In 2015, we will be working to further reduce costs and maximize production efficiency to make our core assets profitable."

Financial and Operating Summary

A summary of the financial and operating results for the fourth quarter and full year of 2014 is as follows:

(000's except per share and operating data)	Fourth Quarter			Year Ended December 31		
	2014	2013	2012	2014	2013	2012
Operational						
Tonnes of coal produced (1)	349,430	299,378	274,756	1,187,257	1,317,088	1,268,082
Average Stripping ratio - operations	8.04	11.06	11.11	10.53	9.31	10.71
Tonnes of coal sold	266,252	243,847	304,165	1,206,125	1,170,716	1,270,114
Average realized thermal coal price \$/ tonne sold	\$ 94.37	\$ 94.52	\$ 99.96	\$ 95.91	\$ 101.26	\$ 98.22
Operating margin per tonne sold	\$ 21.31	(\$ 7.33)	(\$ 12.90)	\$ 4.90	\$ 7.49	(\$ 13.57)
Financial						
Revenues	\$ 25,186	\$ 23,047	\$ 30,401	\$ 116,375	\$ 119,237	\$ 129,055
Adjusted EBITDA (2)	4,298	(3,444)	(6,083)	618	2,417	(30,747)
Earnings (loss) from operations (3)	(117,513)	(5,419)	(58,180)	(127,034)	1,483	(137,374)
Net earnings (loss) attributed to shareholders	(111,641)	(460)	(49,868)	(125,886)	7,460	(123,752)
Basic and fully diluted earnings (loss) per share	(2.25)	(0.01)	(1.08)	(2.53)	0.15	(2.69)
Cash	585	235	4,102	585	235	4,102
Mineral properties additions - La Caypa	4,235	2,203	-	9,616	11,638	3,375
Total assets						

105,297

265,138

242,047

105,297

Total debt (4)	38,055	53,316	58,584	38,055	53,316	58,584
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(1) Excludes 8,345 tonnes of coal produced from underground mine in La Caypa in 2014. The portion of the coal production for Norcarbon as defined in the joint venture agreement with Sloane was 1,615 tonnes, equivalent to 8.25% of the production in Cerro Largo from Nov-Dec 2014.

The Company defines Adjusted EBITDA as earnings from operations adding back impairment of non-current assets, in addition to share-based compensation, and Depreciation, depletion and amortization ("DD&A") Adjusted EBITDA is a non-International Financial Reporting Standards (IFRS) financial measure, does not (2) have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other companies. See "Non-GAAP and additional GAAP Financial Measures" in the Company's 2014 Management Discussion and Analysis dated June 15, 2015 for a quantitative calculation of Adjusted EBITDA.

(3) The loss from operations for the fourth quarter of 2014 and full year 2014 included a \$120.1 million impairment write-down mainly triggered by Cerro Largo's \$34.9 million impairment. E&E properties (La Tigra) were written down by \$35.2 million as part of the Company's impairment testing performed in 2014. The Company also recorded a \$24.3 million impairment in La Caypa due to the decrease in thermal coal prices, and \$3.0 million in Jam as a consequence of low coke prices coupled with no significant evolution in the market.

(4) Total debt includes short-term debt, long term debt, finance leases and amounts owed to Chipalo resources by Norcarbon S.A.S. ("Norcarbon") (December 31, 2014 - \$9.6 million, December 31, 2013 - \$18.0 million).

2014 Highlights

- Coal production: The Company produced 349,430 tonnes of coal in the last quarter of 2014, which represents an increase of 23% compared to the third quarter of 2014 (285,167 tonnes). Throughout 2014, La Caypa mine produced 1,033,043 tonnes of coal and the Cerro Largo mine produced 154,214 tonnes, for a total production of 1,187,257 tonnes. In the fourth quarter of 2014, the operational stripping ratio for La Caypa decreased by 40% compared to the third quarter of 2014 (7.12 vs 11.91).
- Revenues: Coal revenues for the fourth quarter of 2014 were \$25.1 million, from the sale of 266,252 tonnes at an average realized price of \$94.37. Total coal revenues in 2014 were \$116.4 million which reflects the sale of 1,206,125 tonnes at an average realized price of \$95.91 per tonne.
- Earnings (loss) from operations: In the fourth quarter of 2014, loss from operations was \$117.5 million, compared to a loss of \$4.1 million in the third quarter of 2014 and a loss of \$5.4 million in the fourth quarter of 2013. This is as a result of the impairment of assets recorded by the Company.
- Adjusted Earnings Before Interests, Taxes, Depreciation and Amortization ("EBITDA"): Adjusted EBITDA for the fourth quarter of 2014 and for the year ended December 31, 2014 was a gain of \$4.3 million and a total gain of \$0.6 million, respectively.
- Operation of Cerro Largo mine: The Company continued with the development of the multi-year joint operation agreement ("Sloane JOA") for thermal coal production at the Cerro Largo mine signed October 1, 2014 with Sloane Mining Services Sucursal Colombia ("Sloane"), whereby Sloane took over operation of the Cerro Largo mine. Before the end of the first half of 2015, all the conditions required for the agreement to take effect are expected to be fulfilled, resulting in the payment of an advance of \$6.5 million by Sloane to the Company pursuant to the Sloane JOA.
- General and administrative ("G&A") expenses: The Company recorded \$1.4 million in G&A expenses, excluding DD&A and impairment of non-current assets, in the three months ended December 31, 2014, a reduction of 17% compared to \$1.7 million in the same period of 2013. The Company recorded \$5.3 million in G&A expenses in the year ended December 31, 2014, a reduction of 17% and 61%, compared to \$6.3 million in 2013 and \$13.5 million in 2012, respectively.

Outlook

Management is currently focused on paying the amount owed to Chipalo Resources (formerly owed to Masering S.A.S ("Masering")) for the past operation of the Cerro Largo mine, with a balance of \$9.6 million owed at December 31, 2014, compared to \$18 million owed at December 31, 2013, with proceeds from the partial sale of the Barranquilla port being used to pay down some of the debt.

In the fourth quarter of 2014, production at the La Caypa mine was 336,917 tonnes and production at the Cerro Largo mine was 12,513 tonnes, of which 1,032 belong to the Company as part of the multi-year

agreement executed between Norcarbon and Sloane. Total production of the mines in 2014 was 1,187,257 tonnes. The Company adjusted its mining plan at La Caypa for the second half of 2014, shifting some mine development to the first half of 2015 in order to preserve funds after the impact on operations due to geological issues experienced in the second quarter of 2014. This shift in mine plan will cause higher stripping ratios in the first half of 2015. Therefore, in order to relieve the impact of the higher stripping ratio on cash flow, management is currently in negotiations with the mine operator to use an average stripping ratio throughout the year as opposed to using the actual stripping ratio, thereby stabilizing payment amounts throughout 2015.

Regarding La Caypa mine, the Company forecasts an open pit production of 1.1 million tonnes for 2015. Part of this production will be used to cover our obligations under the current contract with our main customer which is set to expire in July 2015. The customer has indicated an interest in entering into a new contract and negotiations are underway with respect to pricing and volumes. Since spot prices are currently lower than the price in the existing contract, there can be no certainty that the Company will be able to negotiate a new contract at the same price as the existing contract. A lower price under the new contract might result in less profitability at La Caypa despite management's efforts to lower operating costs at the mine. In addition, the Company is exploring opportunities with a number of third parties with respect to underground mining at La Caypa with the goal of finalizing a contract in the third quarter of 2015. Three companies with experience in similar projects have shown interest in providing their services to the Company in this regard.

In October 2014, the Company executed the Sloane JOA. The agreement requires Sloane to produce a minimum of 4,200,000 tonnes of coal during the six-year term of the contract. As part of the Sloane JOA, Sloane will be entitled to 91.75% of the production from the mine as compensation for the mine's thermal coal production, commercialization and associated costs, and the Company will receive the remaining 8.25% of the production over the term of the agreement. The Company has agreed to sell its 8.25% share of production to Sloane at a minimum set price of \$60 per tonne subject to market condition adjustments.

As per the agreement, Sloane will provide the Company with a \$6.5 million advance payment for the purchase of the future coal production. The Sloane JOA is expected to provide the Company with a steady cash flow that will be used to improve the Company's working capital deficit position. In addition to the advance, the Company expects to receive over \$3 million under the Sloane JOA in 2015 from sales to Sloane, of which 50% will be applied towards the repayment of the advance with the remainder being used to pay down the debt owed to Chipalo Resources.

In terms of G&A expenses, in line with the Company's cost cutting objective, management was able to surpass the Company's 2014 reduction goal. Total G&A expenses were \$5.3 million in 2014, compared to the Company's forecast of \$5.5 million. The Company anticipates G&A expenses in 2015 will be approximately \$4.2 million, forecasting an 18% reduction from 2014 levels.

In addition to an emphasis on collecting VAT receivables, re-financing long-term debt and utilizing funds from the sale of the Barranquilla port concession, the Company continues to focus on operational changes and reducing G&A expenses to improve the Company's working capital. From an operational perspective, the Company executed the Sloane JOA which is expected to improve the operating cash flow. The Company also plans to decrease its G&A expenses to a quarterly run-rate of approximately \$1.0 million in 2015 (compared to the quarterly run-rate of \$1.4 million in 2014). Management believes that by implementing these strategies, the Company will be able to continue improving its working capital position in 2015.

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

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