Katanga Mining Announces 2019 Second Quarter Financial Results

06.08.2019 | CNW

ZUG, Switzerland, Aug. 6, 2019 - Katanga Mining Ltd. (TSX: KAT) ("Katanga" or the "Company") today announces its second quarter financial results. Katanga's unaudited interim financial statements and management's discussion and a the three and six months ended June 30, 2019 ("MD&A") are available on SEDAR (www.sedar.com).

Outlook

On April 29, 2019, the Company announced that its 75%-owned subsidiary, Kamoto Copper Company ("KCC"), had co a comprehensive business review targeting mining efficiencies and processing improvements as well as enhancement quality realizations and overhead reductions (the "Review").

Initial indications suggest there may be scope for margin improvements in the order of $200-250 million per annum. Fu needs to be undertaken to develop detailed implementation plans to deliver these improvements, which are expected t realizable by 2022.

These improvements are expected to materially increase the cash flow generation of KCC from 2022, when it is project achieve targeted life of mine average production of approximately 300kt of copper and 30kt of cobalt, resulting in a stea copper unit cash cost of approximately $1.65/lb, before cobalt by-product credits, and approximately $0.75/lb after coba by-products revenue, net of allocable cobalt direct production and realization/selling costs of approximately 60c/lb.[1]

As a result, production guidance of copper and cobalt has been revised to:

Commodity	Units	Production Guidance		
		FY 2019	FY 2020	FY 2021
Copper(1)	kt	235	260	290
Cobalt(2)(3)	kt	14.4	29.6	35.7

Notes:

(1) Annual copper production guidance subject to +/- 15 kt variation

(2) Annual cobalt production guidance subject to +/- 2 kt variation, includes reprocessed cobalt post completion of the IX Plant.

(3) 2019 cobalt production guidance includes 11.8kt of saleable cobalt

Notwithstanding these targets, production in any given year will fluctuate as a function of numerous factors, including a and utilization of the plant, geological and mining conditions, logistics, availability of reagents, availability of electricity, macro-economic factors such as commodity prices, input costs and geopolitical developments (including a new mining Democratic Republic of Congo ("DRC") effective January 27, 2018 (the "New DRC Mining Code")).

1 Realization costs are based on an assumed copper price of $6,500/t and realized cobalt price of $15/lb.

Operating Results

		Three months ended			Six months ended	
		Jun 30, 2019	Mar 31, 2019	Jun 30, 2018	Jun 30, 2019	Jun 30, 2018
Sales*	$'000	301,091	354,856	345,527	655,947	492,270
Mining, processing and other costs (net of changes in metal stocks)*	$'000	(270,370)	(334,737)	(130,372)	(605,107)	(232,323
Royalties and transportation costs*	$'000	(68,170)	(56,250)	(51,865)	(124,420)	(73,652)
Depreciation and amortization	$'000	(57,327)	(56,395)	(61,352)	(113,722)	(115,962
Gross (loss) profit	$'000	(94,776)	(92,526)	101,938	(187,302)	70,333
Other income (expenses)*	$'000	1,883	(2,780)	(8,772)	(897)	(9,457)
Write-offs / loss on disposal of property, plant and equipment*	$'000	(27,684)	(2,957)	(3,510)	(30,641)	(9,471)
Net finance costs	$'000	(116,999)	(116,191)	(150,482)	(233,190)	(247,445
Restructuring expenses	$'000	-	-	(248,128)	-	(248,128
Income tax expense	$'000	(2,551)	(3,990)	-	(6,541)	-
Net loss and comprehensive loss	$'000	(240,127)	(218,444)	(308,954)	(458,571)	(444,168
Non-controlling interests	$'000	(46,573)	(38,785)	15,594	(85,358)	(41,696)
Attributable to shareholders of the company	$'000	(193,554)	(179,659)	(324,548)	(373,213)	(402,472
Adjusted EBITDA*	$'000	(63,249)	(41,868)	151,008	(105,117)	167,367
Basic and diluted loss per common share	$/share	(0.10)	(0.09)	(0.17)	(0.20)	(0.21)
C1 costs**	$/lb	2.66	2.95	1.08	2.81	1.72

* The aggregation of sales, mining, processing and other costs, royalties and transportation costs, other income (expenses) and write-offs / loss on disposal of property, plant and equipment are included within adjusted EBITDA (Refer to item 22 'Non-IFRS measures' of the Company's MD&A).

** Refer to item 22 'Non-IFRS measures' of the Company's MD&A.

		Three months ended			Six months ended	
		Jun 30, 2019	Mar 31, 2019	Jun 30, 2018	Jun 30, 2019	Jun 30, 2018
Copper revenue	$'000	280,226	355,088	204,383	635,314	350,863
Cobalt revenue	$'000	20,865	(232)	141,144	20,633	141,144
Concentrate revenue	$'000	-	-	-	-	263
Total revenue	$'000	301,091	354,856	345,527	655,947	492,270
Including net provisional pricing adjustment		(23,149)	22,371	(1,188)	(778)	109
Copper cathode sold	tonnes	53,700	56,401	30,825	110,101	53,461
Cobalt contained in hydroxide sold	tonnes	1,245	-	2,176	1,245	2,176
LME average copper price	$/lb	2.77	2.82	3.12	2.80	3.14
Realized copper price*	$/lb	1.91	2.35	2.49	2.13	2.50
MB average cobalt price	$/lb	15.22	17.77	42.45	16.50	40.41

* Realized copper prices are based on gross copper revenue (above) after deducting realization charges, royalties and other selling expenses.

The movement in revenue is due to the following price and volume factors:

- Copper revenue decreased to $280.2 million in Q2 2019 from $355.0 million in Q1 2019. Copper revenue increas $635.3 million in Q2 2019 YTD from $350.9 million in Q2 2018 YTD. The decrease in copper revenue in Q2 2019 2019 was due to slightly lower copper sales (and production) and a decrease in the realized copper price. The inc copper revenue during Q2 2019 YTD versus Q2 2018 YTD is due to the increase in copper sales (and productio the completion of phase one of the WOL Project, which was partially offset by a lower realized copper price.
- Cobalt revenue increased to $20.9 million in Q2 2019 from ($0.2) million in Q1 2019. Cobalt revenue decreased t million in Q2 2019 YTD from $141.1 million in Q2 2018 YTD. The increase in cobalt revenue in Q2 2019 versus Q due to the resumption of export and sale of cobalt that complies with both international and local DRC transport r with respect to the levels of uranium. The decrease in cobalt revenue in Q2 2019 YTD versus Q2 2018 YTD is du effect of the temporary suspension of export and sale of cobalt sales from November 6, 2018 to April 15, 2019.
- Included in sales is a net provisional pricing adjustment resulting from movements in the commodity price betwee of sale and the final pricing, based on average prices for a specified contractual period thereafter. At each reporti provisionally priced sales that have not been finalized retain an exposure to future changes in prices and are marked-to-market, based on London Metal Exchange ("LME") and Metal Bulletin ("MB") forward prices. These ad are recorded in sales in the Statement of Loss and Comprehensive Loss and within receivables on the Statemen Position. These embedded derivatives comprising provisional pricing, included in receivables, are classified withi the fair value hierarchy.

The movement in cost of sales, depreciation, royalties and transportation costs comprises:

		Three months ended			Six months ended	
		Jun 30, 2019	Mar 31, 2019	Jun 30, 2018	Jun 30, 2019	Jun 30, 2018
Open pit mining costs	$'000	29,704	29,728	35,171	59,432	50,152
Underground mining costs	$'000	14,508	15,179	12,995	29,687	22,743
KTC processing costs	$'000	22,678	27,439	16,497	50,117	30,825
Luilu refinery costs	$'000	132,817	150,224	64,337	283,041	103,469
Change in metal stock	$'000	(9,654)	(3,316)	(58,359)	(12,970)	(88,532)
Mine infrastructure and support costs	$'000	79,366	112,896	59,889	192,262	111,593
Expense on issue of capital spares to production	$'000	950	2,587	(158)	3,537	2,073
Depreciation and amortization	$'000	57,327	56,395	61,352	113,722	115,962
Royalties and transportation costs	$'000	68,170	56,250	51,865	124,420	73,652
Total cost of sales	$'000	395,866	447,382	243,589	843,248	421,937

Review of Expenses for Three Month Period and Six Months Ended June 30, 2019:

- Gross loss increased to $94.8 million in Q2 2019 from $92.5 million in Q1 2019. Gross loss increased to $187.3 m 2019 YTD from $70.3 million gross profit in Q2 2018 YTD. The increase in gross loss in Q2 2019 compared to Q1 due to lower revenue due primarily to lower realized copper prices, offset by lower processing costs due to lower milled in KTC and lower production levels in Luilu and a decrease in provisions relating to slow moving and obsol The increase in gross loss in Q2 2019 YTD compared to Q2 2018 YTD is driven by reduced cobalt revenue (volu price), a provision for obsolete consumable inventories, higher reagent costs at Luilu and an increase in total volu processed, in line with the optimized mine plan. These were partially offset by an increase in copper revenue due increased copper sales (and production).

- Open pit mining costs remained consistent at $29.7 million in Q2 2019 and in Q1 2019. Open pit mining costs inc $59.4 million in Q2 2019 YTD from $50.1 million in Q2 2018 YTD. The increase in open pit mining costs is due to in total material mined.

- KTC processing costs decreased to $22.7 million in Q2 2019 from $27.4 million in Q1 2019. KTC processing cost to $50.1 million in Q2 2019 YTD from $30.8 million in Q2 2018 YTD. KTC processing and operational costs have due to an increase in total material milled and processed.

- Luilu refinery costs decreased to $132.8 million in Q2 2019 from $150.2 million in Q1 2019. Luilu refinery costs in $283.0 million in Q2 2019 YTD from $103.5 million in Q2 2018 YTD. Luilu refinery costs increased due to increas costs and an increase in total oxide feed from KTC, in line with the optimized mine plan.

- Royalties and transportation costs have increased to $68.2 million in Q2 2019 from $56.3 million in Q1 2019. Roy transportation costs have increased to $124.4 million in Q2 2019 YTD from $73.7 million in Q2 2018 YTD. Royalt transportation costs have increased due to higher copper revenues and sales tonnes. YTD variances are due to t implementation of the New DRC Mining Code, which changed the basis of royalties from a net revenue to gross r basis, increased base royalty rates and cobalt being declared a strategic metal and taxed at 10%.

Cash Flows

		Three months ended			Six months ende	
		Jun 30,	Mar 31,	Jun 30,	Jun 30,	Jun 30
		2019	2019	2018	2019	2018
Cash flow generated (used) in:						
Operating activities before changes in working capital	$'000	(26,501)	26,975	(31,308)*	475	4,540*
Changes in working capital	$'000	(73,164)	(27,334)	(107,496)	(100,499)	(107,9
Operating activities	$'000	(99,665)	(359)	(138,804)	(100,024)	(103,3
Investing activities	$'000	(85,304)	(170,929)	(88,431)	(256,233)	(171,0
Financing activities	$'000	115,000	260,000	243,982	375,000	273,68
(Decrease) increase in cash	$'000	(69,969)	88,712	16,747	18,743	(757)
Cash, beginning of period	$'000	94,238	5,499	20,667	5,499	38,144
Effect of exchange rate changes on cash held in foreign currencies	$'000	52	27	48	79	75
Cash, end of period	$'000	24,321	94,238	37,462	24,321	37,462

* Includes $191 million as cash component of the one-time restructuring expense under the Settlement Agreement (Refer to item 9 of the Company's MD&A).

Review of the three and six months Cash Flows ended June 30, 2019

- Cash flows from operating activities before changes in working capital decreased to $26.5 million used in Q2 201 $27.0 million generated in Q1 2019. Cash flows generated in operating activities before changes in working capita decreased to $0.5 million generated in Q2 2019 YTD from $4.5 million in Q2 2018 YTD. The decrease in cash flo 2019 compared to Q1 2019 was driven principally by a decrease in revenue due to lower realized prices of coppe decrease in cash flows in Q2 2019 YTD compared to Q2 2018 YTD was driven mainly by an increase in processi infrastructure and support costs and lower cobalt revenue;
- Changes in working capital cash outflows increased to a $73.2 million outflow in Q2 2019 from an outflow of $27. 2019. Changes in working capital outflows decreased to $100.5 million in Q2 2019 YTD from an outflow of $107.9 2018 YTD. The increase in working capital cash outflows in Q2 2019 compared to Q1 2019 resulted primarily fron decrease in prepaid expense and other current and non-current assets, as well as an increase in inventories and in accounts payable and accrued liabilities, partially off-set by a lower increase in receivables. The decrease in ou 2019 YTD compared to Q2 2018 YTD was driven by a decrease in prepaid expense and other current and non-cu assets and a lower increase in inventories, partially off-set by a decrease in accounts payable and accrued liabilit
- Cash outflows from investing activities decreased to $85.3 million in Q2 2019 from $170.9 million in Q1 2019. Ca from investing activities increased to $256.2 million in Q2 2019 YTD from $171.1 million in Q2 2018 YTD. The decrease/increase in the cash outflows largely reflects the underlying costs of expansionary capital expenditures respective periods; and
- Cash inflows from financing activities decreased to $115 million in Q2 2019 from $260.0 million in Q1 2019. Cash from financing activities increased to $375 million in Q2 2019 YTD from $273.7 million in Q2 2018 YTD. The decrease/increase in cash inflows from financing activities reflected the rate of drawdowns under the Bank Loan a Facilities (please see item 2 of the Company's MD&A for further details).

Qualified Person

Tahir Usmani, PEng, APEGA, Chief Mine Planning Engineer of KCC, has reviewed and approved the scientific and technical disclosure in this news release. Mr. Usmani is a "qualified person" for the purposes of NI 43?101 ? Standards of Disclosure for Mineral Projects.

About Katanga Mining Limited

Katanga Mining Ltd. operates a major mine complex in the Democratic Republic of Congo producing refined copper and cobalt. The Company has the potential to become Africa's largest copper producer and the world's largest cobalt producer. Katanga is listed on the Toronto Stock Exchange under the symbol KAT.

Forward Looking Statements

This press release may contain forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or describes a "goal", or variation 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. This press release may contain forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or describes a "goal", or variation 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.

All forward-looking statements reflect the Company's beliefs and assumptions based on information available at the time the statements were made. Actual results or events may differ from those predicted in these forward-looking statements. All of the Company's forward-looking statements are qualified by the assumptions that are stated or inherent in such forward-looking statements, including the assumptions listed below. Although the Company believes that these assumptions are reasonable, this list is not exhaustive of factors that may affect any of the forward-looking statements. The key assumptions that have been made in connection with the forward-looking statements include the following: the ramp-up of production following commissioning of the WOL Project (as defined in the Company's annual information form for the year ended December 31, 2018 dated April 1, 2019 (the "AIF")); the realization of the expected improvements from the WOL Project; there being no significant disruptions affecting the operations of the Company whether due to legal disputes, judicial action, labour disruptions, supply disruptions, power disruptions, rollout of new equipment, damage to equipment or otherwise; permitting, development, operations, expansion and acquisitions at KCC being consistent with the Company's current expectations; the Company being able to confirm any of the margin improvements identified by the Review and then successfully implementing any such margin improvements; continued recognition of the Company's mining concessions and other assets, rights, titles and interests in the DRC; the completion of the ion exchange plant in the time contemplated, at the expected cost of construction; the completion of the Acid Plant in the time contemplated, at the expected cost of construction; political and legal developments in the DRC being consistent with its current expectations; the continued provision or procurement of additional funding from Glencore for operations, the completion of the T17 Underground Mine and additional phases of the WOL Project and the Power Project (as defined in the Company's AIF); new equipment performs to expectations; the exchange rate between the US dollar, South African rand, British pounds, Canadian dollar, Swiss franc, Congolese franc and Euro being approximately consistent with current levels; certain price assumptions for copper and cobalt; prices for diesel, natural gas, fuel oil, electricity and other key supplies being approximately consistent with current levels; production, operating expenses and cost of sales forecasts for the Company meeting expectations; the accuracy of the current ore reserve and mineral resource estimates of the Company (including but not limited to ore tonnage and ore grade estimates); and labour and material costs increasing on a basis consistent with the Company's current expectations.

Forward-looking statements involve known and unknown risks, future events, conditions, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, prediction, projection, forecast, performance or achievements expressed or implied by the forward-looking statements. Although Katanga has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. 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, readers should not place undue reliance on forward-looking statements.

The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events, or otherwise, except in accordance with applicable securities laws.

SOURCE Katanga Mining Ltd.

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