

Capstone Reports First Quarter 2011 Financial Results

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VANCOUVER, May 25, 2011 /PRNewswire/ --

- Gross Sales Revenue of \$110.1 Million, Net Earnings of \$18.9 Million (\$0.09 per Share)

- (All financial information prepared in accordance with International Financial Reporting Standards ('IFRS'); all amounts in US\$ unless otherwise specified)

VANCOUVER, May 25, 2011 /PRNewswire/ --

Capstone Mining Corp. (CS: TSX) ('Capstone') today announced its financial results for the three months ended March 31, 2011. Net earnings for the quarter were \$18.9 million and cash flow from operating activities was \$6.7 million. Capstone ended the quarter with cash on hand of \$181.2 million, after repaying C\$17.4 million of its long-term obligations in the first quarter. Copper production for the quarter at Capstone's two mines, Cozamin and Minto, totalled 16.1 million pounds of payable copper at an estimated total cash cost^[1] of \$1.59 per payable pound.

Capstone will hold a conference call Wednesday, May 25, 2011 at 11:30 am Eastern time (8:30 am Pacific time) to discuss these results; call-in details are provided at the end of this release. This release should be read in conjunction with Capstone's unaudited interim consolidated financial statements and management's discussion and analysis ('MD&A') for the three months ended March 31, 2011, which are available on Capstone's website at:

<http://capstonemining.com/s/FinancialStatements.asp>. An updated corporate presentation, including results to March 31, 2011, is also available at <http://capstonemining.com/s/Presentation.asp>.

2011 Q1 Overview

	Three months ended March 31, 2011	Three months ended March 31, 2010
Gross sales revenue (\$ millions)	110.1	88.0
Payable copper produced (millions lbs)	16.1	21.2
Total cash cost per payable pound of copper produced (1) (\$)	1.59	1.12
Copper sold - (millions lbs)	22.8	21.2
Net earnings for the period (\$ millions)	18.9	14.8
Earnings per common share (\$)	0.09	0.07
Adjusted net earnings (1) (\$ millions)	16.8	21.9
Adjusted Earnings (1) per common share (\$)	0.08	0.11
Cash flow from operating activities (\$ millions)	6.7	4.4
Cash flow from operating activities per common share (\$)	0.03	0.02
Cash, restricted cash & short-term deposits (\$ millions)	181.2	114.5

[1] The items marked with a '1' are alternative performance measures; please see 'Alternative Performance Measures' below.

'Revenues and net earnings rose in the first quarter due to higher metal prices,' said Darren Pylot, Capstone President and CEO. 'The higher prices were partially offset by higher cost of sales and depletion and amortization on higher unit production costs and deferred stripping amortization. Production was lower than planned in the first quarter, however so far production in the second quarter is exceeding targets resulting in a considerable portion of the first quarter production shortfall being made up.'

'The biggest highlight for Capstone to date in 2011 was our announced proposed acquisition of Far West Mining and our strategic partnership with Korea Resources Corporation. Far West's Santo Domingo Project in Chile is expected to give us 200% growth in anticipated copper production from 2011 to 2016,' continued Mr. Pylot. 'The transaction, if approved by Capstone and Far West shareholders, is expected to close in mid-June.'

Highlights

Financial and Production Highlights for the Three Months Ended March 31, 2011

- Recorded net earnings of \$18.9 million or \$0.09 per common share which included:

- Earnings from mining operations of \$39.3 million,

- Realized copper price of \$4.18 per pound.

- Administrative and stock based compensation of \$6.4 million, and

- Current and deferred tax expenses of \$12.2 million.

- Adjusted net earnings[1] were \$16.8 million or \$0.08 per common share after making adjustments for certain non-cash and non-recurring items.

- Generated cash flow from operating activities of \$6.7 million or \$0.03 per common share.

- Includes a realized loss on derivative instruments of \$12.6 million.

- Working capital increased to \$212.9 million at March 31, 2011 (which included \$181.2 million of cash) from \$177.0 million at December 31, 2010.

- Fully repaid in January 2011 the C\$17.4 million owing to Yukon Energy Corporation related to the spur and main power lines servicing the Minto Mine, seven years ahead of schedule.

- Produced a total of 16.1 million pounds of payable copper at an estimated total cash cost[1] of \$1.59 per pound of payable copper.

- Recorded gross sales revenue of \$110.1 million on the sale of 22.8 million pounds of copper, 3.0 million pounds of zinc, 1.0 million pounds of lead, 7,765 ounces of gold and 348,401 ounces of silver.

Operating Highlights

Cozamin, Mexico:

- Produced 8.3 million pounds of payable copper at a total cash cost[1] of \$1.57 per pound.

- Re-commenced mining in the Avoca stope at the end of March after extensive rehabilitation efforts were completed, which is now operating at

full capacity.

- Completed 5,461 metres of diamond drilling in 12 holes underground on the Mala Noche Footwall Zone ('MNFWZ') and the main Mala Noche Vein. Drilling has expanded the MNFWZ where drilling continues.

- Completed mapping on three veins in the MNFWZ structure, which show excellent lateral continuity of the mineralization.

- Completed 3,283 metres of diamond drilling in six holes on surface at Cozamin on various targets. Surface drilling continues and results will be released later in the year.

- Mined 13,831 tonnes of exploration development ore in the MNFWZ with 448 metres of lateral drifting to open access for geological mapping and to provide material for ongoing metallurgical testing.

- Awarded the 'Clean Industry' certification by the Mexican environmental authorities in April following a 24 month implementation process.

Minto, Yukon:

- Produced 7.8 million pounds of payable copper at a total cash cost^[1] of \$1.62 per pound of payable copper.

- Completed final mining of the Minto Main pit in April. Stockpiled ore will feed the mill until early 2012, at which time ore will be available from Area 2.

- Commenced stripping in Area 2 in April 2011.

- The Yukon Water Board issued the amended Water Use License ('WUL') in April 2011. Implementation of the modified license provisions is underway.

- The Yukon Environmental and Socio-Economic Assessment Board ('YESA') issued the evaluation document for the Phase IV Permit application. An amendment to the existing Quartz Mining License ('QML') was issued in March which permitted mining to commence in Area 2/118 and a new QML for the Minto Phase IV project was issued in May 2011.

- Completed the Phase V Pre-Feasibility Study in March 2011, extending the Minto Mine life to 2020, at an average annual production of 43.0 million pounds of copper in concentrates, at a total cost per pound of payable copper of \$1.34, net of by-product credits.

- Completed 17,792 metres of exploration drilling in 52 diamond drill holes mostly in the Copper Keel/Wildfire area, providing sufficient data to complete an initial mineral resource estimate, which is expected to be completed by the end of the second quarter.

Kutcho, British Columbia:

- Completed a Pre-Feasibility Study ('PFS'), that contemplates a 12 year mine life, with an IRR of 27%, NPV of C\$155 million at a 10% discount rate and a 3.4 year payback with average annual production of 34.7 million pounds of copper, 54.5 million pounds of zinc and 672,000 ounces of silver.

Outlook

Capstone re-iterates its full year 2011 guidance of 80-85 million pounds of copper in concentrates.

At Cozamin, production grades and tonnes are ramping up as expected from first quarter levels with the recent restart of mining in the Avoca area. Much of the higher grade material previously scheduled in the first quarter is expected to be shifted to subsequent quarters, limiting the overall impact on the year. Various initiatives are being pursued in the second and third quarters to increase mine ore inventory from the principal mining stopes, which is intended to facilitate increased production from the mine. In addition, development has been accelerated in other areas of the mine in order to bring additional stopes into production by mid-year. This is intended to provide additional high grade ore and flexibility to the overall operation.

A mineral resource estimate for the MNFWZ is expected to be completed and a Pre-Feasibility Study (PFS) commenced by the end of the second quarter. The PFS will apply economic parameters to the MNFWZ resource block model to determine economic viability. The PFS will also include a cost benefit analysis to look at increasing production by expanding key infrastructure, such as increasing the hoisting capability, mine ventilation and adding additional mineral processing plant capacity along with a scenario of an extended mine life using the existing plant and infrastructure. The study will also examine other opportunities such as ways to make improvements to bulk mining techniques of the current mineral reserve.

At Minto, contract crushing which commenced on April 15, has demonstrated the ability to exceed production targets increasing throughput rates to a level that is expected to allow recovery of the first quarter shortfall with production ramping up ahead of schedule to the levels that were planned for the fourth quarter of 2011. New mill daily and hourly throughput records have been established in April and May since the implementation of the contract crushing system. The high grade ore originally scheduled for March was mined in April. This will shift some of the production planned for the first quarter into the second quarter of 2011. The higher throughput and grades at Minto in the second quarter have significantly reduced the year-to-date production shortfall carried from the first quarter.

Driven by the recently discovered Wildfire and Copper Keel deposits at Minto, Capstone also plans a PFS (Phase VI PFS) in 2011. This Phase VI study is scheduled to start in the third quarter of 2011 using a new mineral resource estimate that is being completed in two stages. A preliminary resource estimate will be finished in the second quarter and will determine the initial scope of the PFS. This will be followed by additional drilling, and a more robust estimate in the third quarter. The new estimate will incorporate the Wildfire and Copper Keel deposits into a larger framework of a combined Area 2/118/Wildfire/Copper Keel block model. Similar to the Cozamin PFS, this Minto Phase VI PFS will include a cost benefit analysis using expanded production scenarios and mine life estimates versus the existing Phase V plan.

Development activities at Kutcho in 2011 will be focused on carrying the environmental and socio-economic assessment process forward and consultations with the goal of obtaining all necessary permits for mine development by mid-2012, as well as ongoing exploration.

Update on Proposed Acquisition of Far West Mining Ltd. and Formation of Strategic Partnership and Joint Venture with Korea Resources Corporation

On April 17, 2011, Capstone announced that it had entered into an arrangement agreement (the 'Arrangement Agreement') with Far West Mining Ltd. ('Far West'), pursuant to which, and subject to the terms and conditions of the Arrangement Agreement, Capstone will acquire all of the issued and outstanding common shares of Far West in accordance with an arrangement of Far West under the Business Corporations Act (British Columbia) (the 'Arrangement'). Assuming the Arrangement becomes effective, each Far West shareholder will be entitled to elect to receive, in exchange for each Far West share held, (i) 1.825 shares of Capstone and C\$1.00 in cash, (ii) 2.047 shares of Capstone and C\$0.001 in cash, or (iii) C\$9.19 in cash, subject to proration on the basis of an aggregate maximum cash amount of approximately C\$79 million, and provided that no Far West shareholder that elects option (iii) above will receive less than C\$1.00 in cash per Far West share.

Capstone has also agreed to form a long-term strategic relationship with Korea Resources Corporation ('KORES') for the development of Far West's Santo Domingo project. Concurrent with the completion of the Arrangement, KORES will (i) acquire a 30% interest in the entity that will own the Santo Domingo project for cash consideration of up to approximately C\$210 million to Capstone, and (ii) subscribe for an approximate 11% interest in Capstone for aggregate cash consideration of approximately C\$170-183 million (the 'KORES Subscription'). The shares will be subscribed for at a price of C\$4.35 per share, based on a 1% discount to the volume weighted average price of Capstone shares on the TSX for the 5 trading days prior to April 17, 2011.

In connection with the Arrangement, Capstone has called the special meeting of shareholders on June 13, 2011 to consider a resolution to approve the issuance of (i) the Capstone common shares forming the consideration to be paid to Far West shareholders, and (ii) the Capstone common shares to be issued in connection with the KORES Subscription. The special meeting of Capstone shareholders is being held concurrently with the meeting of Far West securityholders, which has been called to consider the Arrangement. As the Arrangement is conditional upon the receipt of a number of regulatory, court and securityholder approvals, the exact timing of completion of the Arrangement cannot be predicted, but it is expected to be on or about June

16, 2011.

Conference Call and Webcast Details

Capstone will host a conference call on Wednesday, May 25, 2011 to discuss these results. The conference call and webcast details are as follows:

Date: Wednesday, May 25, 2011
Time: 11:30 am Eastern Time (8:30 am Pacific Time)
Dial in: North America -- +1-888-231-8191,
International -- +1-647-427-7450
Webcast: <http://www.newswire.ca/en/webcast/viewEvent.cgi?eventID=3530780>
Replay: North America -- 1-800-642-1687,
International -- +1-416-849-0833
Replay Passcode: 66806912

The conference call replay will be available until June 1, 2011. A transcript of the call will also be made available on Capstone's website (<http://capstonemining.com/s/ConferenceCalls.asp>) within 24 hours of the call.

Cautionary Note Regarding Forward-Looking Information

This document may contain 'forward-looking information' within the meaning of Canadian securities legislation and 'forward-looking statements' within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, 'forward-looking statements'). These forward-looking statements are made as of the date of this document and Capstone Mining Corp. (the 'Company') does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation.

Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events and include, but are not limited to, statements with respect to the timing and implementation of the proposed transaction with Far West, estimation of mineral reserves and mineral resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. In certain cases, 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 variations of such words and phrases or statements that certain actions, events or results 'may', 'could', 'would', 'might' or 'will be taken', 'occur' or 'be achieved' or the negative of these terms or comparable terminology. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to actual results of current exploration activities; changes in project parameters as plans continue to be

refined; future prices of resources; possible variations in ore reserves, grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; as well as those factors detailed from time to time in the Company's interim and annual financial statements and management's discussion and analysis of those statements, all of which are filed and available for review on SEDAR at <http://www.sedar.com>. Although the Company 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.

43-101 Compliance

Unless otherwise indicated, Capstone has prepared the technical information in this news release ('Technical Information') based on information contained in the technical reports, news releases and MD&A's (collectively the 'Disclosure Documents') available under Capstone Mining Corp.'s company profile on SEDAR at <http://www.sedar.com>. Each Disclosure Document was prepared by or under the supervision of a qualified person (a 'Qualified Person') as defined in National Instrument 43-101 Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators ('NI 43-101'). Readers are encouraged to review the full text of the Disclosure Documents which qualifies the Technical Information. Readers are advised that mineral resources that are not mineral reserves do not have demonstrated economic viability. The Disclosure Documents are each intended to be read as a whole, and sections should not be read or relied upon out of context. The Technical Information is subject to the assumptions and qualifications contained in the Disclosure Documents.

The Technical Information contained in this news release of has been prepared under the supervision of, and its disclosure has been reviewed by, John Sagman, P. Eng., Capstone's Vice President, Technical Services and Brad Mercer, P. Geo., Capstone's Vice President, Exploration, both Qualified Persons under NI 43-101. In addition, Gregg Bush, Senior Vice President and Chief Operating Officer for Capstone, reviewed all Technical Information in this news release.

Alternative Performance Measures The items marked with a '1' are Alternative performance measures and readers should refer to Alternative Performance Measures in the Company's Interim Management's Discussion and Analysis for the three months ended March 31, 2011 as filed on SEDAR and as available on the Company's website for further details.

For further information:

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