

# Ivernia Reports Second Quarter 2013 Financial Results

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*All Dollar Amounts are in U.S. Dollars ("US\$") Unless Otherwise Indicated*

TORONTO, ONTARIO -- (Marketwired - Aug. 13, 2013) - [Ivernia Inc.](#) ("Ivernia" or, collectively with its subsidiaries, the "Company") (TSX:IVW) today reported its second quarter 2013 results. During the second quarter of 2013, the Company's Paroo Station lead mine (the "Mine") focused on ramping up mining, processing, and transportation operations, which restarted in early April 2013. Milling operations recommenced on a single shift basis at the start of April, and ramped up to twenty four hour operations by the end of April. The Company recommenced mining operations at the end of April 2013.

Primarily as a result of unrealized foreign exchange movements discussed below, the Company recorded a net loss after tax of \$27.7 million or \$0.04 per common share for the second quarter of 2013; compared to net loss after tax of \$9.3 million or \$0.01 per common share for the same period last year.

## SECOND QUARTER 2013 HIGHLIGHTS

### Financial

- In conjunction with the restart of operations and shipments, the Company recorded revenue of \$22.1 million on the sale of 16,700 tonnes of concentrate containing 10,700 tonnes of lead.
- Gross loss of \$4.0 million for the second quarter of 2013.
- Net loss after tax of \$27.7 million for the second quarter of 2013. Net loss after tax for the second quarter of 2013 includes a foreign exchange loss of \$30.1 million mainly related to Rosslyn Hill Mining's functional currency being the A\$ while another subsidiary's functional currency was the US\$. The loss was as a consequence of the A\$ weakening against the US\$ in the second quarter of 2013 with the US\$/A\$ rate decreasing from 1.0426 on March 31, 2013 to 0.9167 on June 30, 2013. The foreign currency loss is mainly related to unrealized foreign exchange movements on US\$ and C\$ intercompany loans. These intercompany loans are with wholly owned subsidiaries of the Company and are eliminated from the Statement of Financial Position on consolidation but the difference between functional currencies gives rise to the difference.
- At June 30, 2013, the Company has 7,300 dry metric tonnes of lead concentrate inventory with a carrying value of \$6.0 million.

### Operational

- Mining, processing and export operations at the Mine were recommenced in April 2013.
- The Company produced 14,100 tonnes of concentrate during the second quarter of 2013 containing 9,000 tonnes of lead metal.
- The Company remains on track to meet the 2013 guidance released on May 13, 2013 (the "2013 Guidance") for production and sales. For the remainder of 2013, the Mine expects to produce between 31,000 to 36,000 tonnes of lead contained in concentrate and to sell between 35,000 to 40,000 tonnes of lead contained in concentrate. Full production levels at the Mine are targeted by the end of 2013.
- On December 28, 2012, the Company entered into management services agreements (the "Management Services Agreements") with Enirgi Group and its wholly owned Australian subsidiary Enirgi Metal Group Pty Ltd. ("EMG"), pursuant to which, among other things Enirgi Group is managing the day to day operations of Ivernia and EMG is managing the restart and ongoing operation of the Mine. Enirgi Group and EMG have performed well to date against the Management Services Agreements and provided the Mine with increased support and expertise.

**FINANCIAL AND OPERATING HIGHLIGHTS**

The following table is a summary of Ivernia's financial and operating highlights for the three and six months ended June 30, 2013 and 2012:

	Three months ended		Six months ended	
June 30	June 30		June 30	
(in thousands of United States dollars, unless otherwise indicated and per share amounts (unaudited))	2013		2012	
\$	2012		2013	
\$	2012		2013	
\$	2012		2013	
<b>Financial Highlights</b>				
Revenue(1)	22,053	&#8722;	22,053	&#8722;
Operating costs	(26,094)	(3,110)	(33,238)	(5,062)
Gross loss	(4,041)	(3,110)	(11,185)	(5,062)
General and administrative	(2,661)	(2,092)	(5,199)	(5,300)
Write off of exploration expenditure		&#8722;	(3,426)	&#8722;
Share based compensation	(383)	(208)	(582)	(412)
Foreign exchange	(30,148)	(2,627)	(29,603)	(92)
Gain on sale of available for sale investments		&#8722;	&#8722;	&#8722;
Other income (expenses)	302	&#8722;	298	&#8722;
Net interest income (expense)	(599)	92	(989)	201
Accretion	(340)	(125)	(255)	
	(33,829)	(8,386)	(9,320)	
Loss before tax	(37,870)	(11,496)	(47,655)	(14,382)
Deferred income tax recovery	10,200	2,208	12,700	3,229
Net loss	(27,670)	(9,288)	(34,955)	(11,153)
Unrealized (loss)/gain on investments		&#8722;	(31)	11
Foreign currency translation differences		16,011	1,125	15,668
Comprehensive loss	(11,659)	(8,194)	(19,276)	(10,984)
Basic and fully diluted loss per share(2)		(0.04)	(0.01)	(0.05)
Weighted average shares outstanding - thousands		755,510		745,131
Cash used in operations before changes in non-cash working capital		(4,587)	(3,648)	(14,736)
Cash flow used in operating activities		(2,290)	(3,446)	(8,917)
<b>Operating Highlights</b>				
Ore milled - (000's tonnes)	160	&#8722;	160	&#8722;
Average head grade - (% lead)	8.1	&#8722;	8.1	&#8722;
Recovery - (%)	69	&#8722;	69	&#8722;
Concentrate produced - (000's dry tonnes)	14.1	&#8722;	14.1	14.1
Concentrate sold - (000's dry tonnes) (1)	16.7	&#8722;	16.7	16.7
Lead metal in concentrate produced - (000's tonnes)			9.0	&#8722;
Lead metal in concentrate sold - (000's tonnes) (1)			10.7	&#8722;
Concentrate inventory - (000's of dry tonnes)	7.3		10.1	7.3
Average lead price - LME cash settlement- (\$ per pound)	0.93	0.89	0.99	0.92
Ivernia's average lead sale price - (\$ per pound)			0.98	&#8722;
Cash cost per pound sold - (\$ per pound)(3)		N/A	N/A	N/A

(1) Ivernia restarted operations at the Mine in late February, 2010. A ramp-up of operations took place throughout 2010. On April 5, 2011, the Company voluntarily ceased transportation and operations as a result of the detection of lead bearing mud on one of its shipping containers. With the uncertainty surrounding these results and what was the third transportation disruption since December 31, 2010 the decision was made to undertake a comprehensive review of its business practices before the recommencement of transportation would resume. As such, the Mine's workforce commenced an orderly shutdown of operations and the Mine was placed on full care and maintenance in April 2011. In April 2013, the Company recommenced mining, processing and transportation operations.

(2) Per share data was calculated on the basis of the weighted average shares outstanding (basic and diluted) for the relevant period.

(3) Cash cost per pound sold is a non-IFRS measure. Cash cost of lead sold is not currently meaningful as the Mine worked through the issues surrounding transportation and then care and maintenance during 2011 through 2013. Once the Mine achieves steady state production run rates information about the cash cost of

lead sold will be reintroduced.

## OPERATIONS REVIEW

On July 27, 2012, the Company received Ministerial Statement 905, which contains the majority of the Company's new transportation and operating conditions for the Mine (the "Operating Conditions") from the Minister for Environment, Water for Western Australia (the "Minister") which, in general were consistent with the draft recommended conditions (the "Draft Recommended Conditions") for the Mine that were released by the Environmental Protection Authority of Western Australia ("EPA"). The Operating Conditions replace and supersede the Interim Implementation Conditions (the "Interim Implementation Conditions"), which were issued on February 23, 2011 and the previous Ministerial Statements 559 and 783.

Following the receipt of the Operating Conditions in the third quarter of 2012, the Company completed its internal planning process in preparation for the restart of operations, which included critical path planning, capital expenditure requirements and the identification of key recruitment milestones. The operations remained on care and maintenance for the remainder of 2012 and the first quarter of 2013. Consequently, there was no production or sales of lead carbonate concentrate in 2012 or the first quarter of 2013. Mining, processing and transportation operations were recommenced in the second quarter of 2013.

Principal activities during the second quarter of 2013 focused on ramping up operations at the Mine which restarted in early April 2013. During the quarter, the Company produced 14,100 tonnes of concentrate containing 9,000 tonnes of lead metal and sold 16,700 tonnes of concentrate containing 10,700 tonnes of metal. The Company recommenced milling operations in April on a single shift basis and ramped up to twenty four hour operations by the end of April. The Company recommenced mining operations at the end of April 2013. Transportation operations were staged and increased in conjunction with the ramp-up of the operations. The major challenges encountered during the quarter were associated with increasing plant stability after restart of processing operations. These included recommissioning the processing plant after nearly two years out of operation, increasing workforce capability and processing ore with a higher clay content.

A full discussion of the events for the three year period to March 28, 2013, is contained in the Annual Information Form dated March 28, 2013 ("2012 AIF") under the heading "Three-Year History - Operations", and is incorporated herein by reference. The 2012 AIF is available on the Ivernia web site at [www.ivernia.com](http://www.ivernia.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

The table below summarizes quarterly mine production, process production, shipments and inventories for the three and six months ended June 30, 2013:

	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
<b>Mining</b>				
Ore mined - 000's tonnes(1)	171		171	
Low grade ore mined - 000's tonnes(2)	51		51	
Total ore and waste mined - 000's bcm	187		187	
<b>Processing</b>				
Ore milled - 000's tonnes	160		160	
Average head grade - % lead	8.1		8.1	
Average recovery - %	69		69	
Concentrate produced - 000's dry tonnes	14.1		14.1	
Concentrate grade - % lead	64		64	
Lead metal in concentrate produced - 000's tonnes	9.0		9.0	
<b>Sales and inventories</b>				
Concentrate sold - 000's dry tonnes	16.7		16.7	
Concentrate grade - % lead	64		64	
Lead metal in concentrate sold - 000's tonnes	10.7		10.7	
Concentrate inventory - 000's dry tonnes	7.3		7.3	

- (1) Ore mined does not include low grade ore.
- (2) Low grade ore is 1.5 to 2.5% lead.

The Mine was not operational during 2012 and the first quarter of 2013. In April 2013, the Company recommenced mining, processing and transportation operations at the Mine.

### **Mine Production Ramp-up**

On April 5, 2013, milling and processing operations recommenced at the Mine and at the end of April, mining operations recommenced. Performance steadily improved and ramped up over the quarter as the workforce continues to gain experience with the ore processing plant. Milling rates, production and plant performance were all generally in line with expectations for the quarter.

The primary focus of site management in the second quarter was to finalise the safe recommissioning of the processing plant, increase workforce skills and stabilize and steadily increase milling rates.

During the second quarter of 2013, the mill treated 160,000 dry metric tonnes of ore with an average head grade of 8.1% lead. The plant recovered an average of 69% of the lead, to produce approximately 14,100 dry metric tonnes of concentrate with an average grade of 64% containing 9,000 tonnes of lead metal. As of June 30, 2013, the Company had 7,300 dry metric tonnes of concentrate inventory of which 5,400 dry metric tonnes of concentrate was at the Mine and the remainder was in transit.

In the second quarter of 2013, the Company faced challenges with variable ore types and ore grades, including high grade clay material. The high variation in processing volumes, ore grades and types and the relatively new plant operating staff lead to lower recoveries than at normal steady state which is typical and to be expected in a ore processing plant ramp-up. Plant recoveries are expected to increase and stabilize as the plant reduces the variability in ore processed, operator experience increases and the processing plant moves towards steady state. Overall for the second quarter of 2013, the average plant recovery was 69%.

The Mine has now recruited its full complement of personnel. There currently appears to be more availability of skills in Western Australia given that a number of projects and companies have delayed, reduced or shut down operations in the State.

In the third quarter of 2013, the Company will continue to focus on ramping up the mining and processing rates towards full production levels. This will require continued debottlenecking of the processing plant, increasing surge capacity throughout the concentrate handling and logistics chain and a focus on reducing the variability of ore delivered to the processing plant.

### **Operational Optimization**

With the recommencement of operations in the second quarter, work has commenced on mine scheduling optimization for the life-of-mine planning. The aim of this work is to improve the mining program to deliver lower mining and processing costs through: blend optimization; reduced double handling; reduced non-productive equipment moves; and identifying locations for in-pit waste dumping.

Plans are being reviewed to convert the generator sets in the Mine's onsite power station from diesel fuel to dual fuel diesel-natural gas or pure natural gas. The gas pipeline has been installed to the power station and a long term gas contract is secured until the first quarter of 2017. The reduction of diesel consumption is expected to significantly reduce the site's power costs and reduce the Mine's carbon emissions.

The Mine has constructed significant handling infrastructure at the Mine and along its transport route and implemented a best practice concentrate handling system utilizing two tonne plastic bulk bags and shipping containers. The Company is now investigating ways to reduce the cost and improve the efficiency of the bagging and packing process.

The Mine is also reviewing cost reduction opportunities through improved usage and a potential reduction in transport costs associated with reagents by handling and mixing reagents at site. The implementation of such projects is expected to significantly reduce the reagent costs in the flotation section of the plant.

### **Production Outlook**

After the second quarter of 2013's production and sales, the Company remains on track to meet the 2013

Guidance. In the second half of 2013, the Mine expects to produce between 31,000 to 36,000 tonnes of lead contained in concentrate and to sell between 35,000 to 40,000 tonnes of lead contained in concentrate. Full production levels at the Mine are targeted by the end of 2013. For 2014 and beyond, the Company expects to produce and sell between 80,000 and 85,000 tonnes of lead contained in concentrate.

The production outlook and 2013 Guidance are forward-looking statements based on certain material factors and assumptions. See "Forward-Looking Statements".

### **Capital Resources and Working Capital Requirements**

As of June 30, 2013, the Company had approximately \$4.3 million in cash. At current lead prices and foreign exchange rates, the Company expects that it has sufficient working capital to fund the Mine until operations turn cashflow positive and to maintain a working capital ratio (excluding current payments to Sprott Lending Resources Partnership ("Sprott")) above 1.25 to 1.00 in accordance with the C\$20 million secured loan facility with Sprott (the "Sprott Facility"). Operations are expected to turn cashflow positive in the third quarter of 2013. While the Company anticipates that cashflow from operating activities will be sufficient to fund non-operating activities going forward, including repayment of principal payments under the Sprott Facility starting at the end of the first quarter of 2014, the Company's financial condition will remain subject to certain risks and uncertainties as it ramps-up operations over the course of 2013. For instance, ongoing cash flow from operating activities is exposed and continues to be exposed to fluctuations in metal prices, production and shipping rates and the A\$/US\$ exchange rate. See "Risk Factors - Funding Requirements" in the 2012 AIF and "Forward-Looking Statements" below. If management considers cashflow from operating activities to be insufficient to fund non-operating activities going forward or that working capital will not be sufficient to meet the covenants under the Sprott Facility, the Company may need to consider equity or debt financing.

### **Management's Discussion and Analysis and Consolidated Financial Statements**

Ivernia's unaudited financial statements and management's discussion and analysis for the three months ended June 30, 2013 will be filed today and will be available on the Ivernia website at [www.ivernia.com](http://www.ivernia.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

### **About Ivernia**

Ivernia is an international base metal mining company and the owner of the Paroo Station Mine in Western Australia.

Ivernia trades under the symbol "IVW" on the Toronto Stock Exchange. Additional information on Ivernia is available on the Company's website at [www.ivernia.com](http://www.ivernia.com) and at SEDAR at [www.sedar.com](http://www.sedar.com).

### **Forward-Looking Statements**

Certain statements contained in this news release are forward-looking information within the meaning of securities laws. All statements included herein (other than statements of historical facts) which address activities, events or developments that management anticipates will or may occur in the future are forward-looking statements, including statements as to the following: the 2013 Guidance or other future targets and estimates for production and sales, the Company's ability meet its working capital needs in the near term, projections with respect to cash flows and working capital, any additional financing requirements to restart the Mine, the cost and timing for completion of capital projects necessary for restart or ongoing operations, the Company's ability to comply with the new Operating Conditions, capital expenditures, operating costs, cash costs, mineral resources, mineral reserves, life of mine, recovery rates, grades and prices, business strategies and measures to implement such strategies, competitive strengths, estimated goals and plans for Ivernia's future business operations, lead market outlook and other such matters. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "contemplate", "target", "believe", "plan", "estimate", "expect", and "intend" and statements that an event or result "may", "will", "can", "should", "could" or "might" occur or be achieved and other similar expressions. These statements are based upon certain reasonable factors, assumptions and analyses made by management in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. However, whether actual results and developments will conform with management's expectations is subject to a number of risks and uncertainties, including factors underlying management's assumptions, such as, expected concentrate sales, the costs and other capital expenditures required to recommence operations and transportation, the timing, need and ability to raise any additional financing and the risks relating to

ramping up mining and milling throughput and operations, funding requirements, operations being placed on care and maintenance, matters relating to regulatory compliance and approvals, shareholder dilution, matters relating to public opinion, presence of a majority shareholder and Management Services Agreements, matters related to the Esperance settlement and shipments through the Port of Fremantle, regulatory proceedings and litigation and general operating risks such as metal price volatility, lead carbonate concentrate treatment charges, exchange rates, the fact that the Company has a single mineral property, health and safety, environmental factors, mining risks, metallurgy, labour and employment regulations, government regulations, insurance, dependence on key personnel, constraints on cash distribution from the Mine, the nature of mineral exploration and development and common share price volatility. Additional factors and considerations are discussed in the 2012 AIF and elsewhere in other documents filed from time to time by Ivernia with Canadian securities regulatory authorities. While Ivernia considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. These factors may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements, and there can be no assurance that the actual results or developments anticipated by management will be realized or, even if substantially realized, that they will have the expected results on the Company. Undue importance should not be placed on forward-looking information nor should reliance be placed upon this information as of any other date. Except as required by law, while it may elect to, Ivernia is under no obligation and does not undertake to update this information at any particular time.

## Contact

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