Mercator Minerals Reports Fourth Quarter and Year End 2013 Results

31.03.2014 | Marketwired

(*All US$ unless otherwise specified*)

VANCOUVER, BRITISH COLUMBIA -- (Marketwired - Mar 31, 2014) - Mercator Minerals Ltd. (TSX:ML) ("Mercator" or the "Company") today announced its financial results for the three months and year ended December 31, 2013. For 2013 the Company reported revenues of $215.3 million, an operating loss of $17.3 million before the $167.8 million of asset impairment charge* for the Mineral Park mine and El Creston project taken during the year, and a net loss of $152.8 million (loss of $0.48 per share, basic) or an adjusted net loss* of $37.1 million ($0.12 per share). Included in the net loss is the $167.8 million (or $0.53 per share) non-cash asset impairment charges on the Mineral Park mine and the El Creston project taken during the year. Cash flow used in operations was $6.7 million in 2013. For the fourth quarter of 2013, the Company reported revenues of $47.2 million, with an operating loss of $5.6 million, and a net loss of $11.5 million ($0.03 per share, basic) or an adjusted net loss* of $9.5 million ($0.03 per share). Cash flow used in operations was $3.6 million in the fourth quarter of 2013.

"Since receipt of the bridge loan proceeds in late December 2013, improved working capital levels have allowed operations at Mineral Park to gradually return to normalized levels, with mill throughput rates having increased by an average of 25% and mining rates having increased by approximately 36%, to where we are achieving improved metal production and lower unit costs," stated D. Bruce McLeod, President & CEO of Mercator. "Our recent operational success would not have been possible without the financial support of the shareholders of Intergeo and it reinforces the compelling rationale behind the proposed business combination with Intergeo. The combination with Intergeo will allow us to execute on our plan to transform Mineral Park into a sustainable, free cash flow generating mine while also allowing us to advance the development of the attractive El Pilar copper project and the world-class Ak-Sug copper project. We look forward to completing our business combination with Intergeo and advancing that plan."

FOURTH QUARTER 2013 HIGHLIGHTS AND SIGNIFICANT ITEMS

On December 12, 2013, the Company announced the following:

- A proposed business combination by way of plan of arrangement with Intergeo MMC Ltd ("Intergeo") to create a new copper-focused base metals company with a robust growth pipeline and strong financial backing ("Transaction"). Included in the Transaction, Daselina Investments Ltd. ("Daselina"), Intergeo's largest shareholder, has agreed to invest $100 million (which includes the proceeds from the bridge loan - see below) via private placement to support the growth of the proposed combined company;
- Mineral Park Inc. ("MPI") entered into a bridge loan credit agreement ("Bridge Loan") pursuant to which Daselina will advance up to $14 million to help stabilize operations at MPI; and
- MPI entered into an amended and restated credit agreement with its lenders that will become effective upon completion of the Transaction. The amended and restated credit agreement is expected to provide enhanced financial flexibility for the Company.

Q4 2013 operational results:

- Production totaling 18.5 million copper equivalent** pounds, comprised of 8.7 million pounds of copper in concentrates and cathode and 2.1 million pounds of molybdenum;
- Recoveries of 77.8% and 81.9%, for copper and molybdenum, respectively;
- Average throughput of 37,093 tons per day ("tpd"), at an average ore grind index of 13.4 kilowatt hour per ton ("kwh/t"); and
- Production was negatively impacted by a number of operating and financial constraints (see "*Mineral Park Mine*" discussion below), which resulted in lower equipment availability and lower working capital levels. Throughput rates and production levels are gradually returning to normalized levels with the proceeds from the Bridge Loan received in late December 2013.

OVERVIEW

	Three months ended December 31,		Year ended December 31,	
$ millions unless otherwise noted	2013	2012	2013	2012
Revenues	47.2	77.6	215.3	262.6
Operating (loss)/profit before asset impairment charges*	(5.6)	10.6	(17.3)	24.7
Asset impairment charges	-	(119.8)	(167.8)	(119.8)
Net loss	(11.5)	(115.2)	(152.8)	(128.7)
Loss per share (basic)	$(0.03)	$(0.44)	$(0.48)	$(0.48)
Adjusted net (loss)/profit*	(9.5)	4.4	(37.1)	(1.2)
Adjusted (loss)/profit per share* (basic)	$(0.03)	$0.02	$(0.12)	$nil
Cash flow used in operations	(3.6)	(6.7)	(6.7)	(5.4)
Production (million pounds)				
- Copper	8.7	10.9	37.5	40.9
- Molybdenum	2.1	2.9	9.4	10.3
- Copper equivalent**	18.5	23.8	81.2	87.5
Total tons mined (millions)	4.8	7.4	24.9	29.5
Throughput (tons per day)	37,093	44,978	40,637	45,570
Recoveries (%)				
- Copper	77.8	83.1	80.4	79.9
- Molybdenum	81.9	85.5	80.6	79.5
On-site operating costs ($/ton milled)	11.67	10.83	11.09	10.29
Cash costs* on a co-product basis ($/lb)				
- Copper	3.11	2.56	2.86	2.48
- Molybdenum	10.18	9.52	10.16	10.37
Average realized prices ($/lb)				
- Copper (excluding hedges)	3.25	3.52	3.28	3.64
- Molybdenum	9.80	11.35	10.27	12.21
Shipments (million pounds)				
- Copper	8.2	12.7	35.9	36.9
- Molybdenum	2.1	2.8	9.2	10.2

Comparing Q4 2013 to Q4 2012

Revenues were 39% lower in Q4 2013 than in Q4 2012, primarily due to lower metal prices (copper and molybdenum prices realized were 8% and 14% lower, respectively) and lower shipment volumes (copper and molybdenum shipments were 35% and 25% lower, respectively). The lower realized prices were consistent with lower benchmark prices, while the lower shipment volumes were a result of lower production volumes. On-site operating costs were 8% higher in Q4 2013 than in Q4 2012 which, when combined with lower production volumes, resulted in cash costs* of production, on a co-product accounting basis, being 21% higher for copper and 7% higher for molybdenum. The higher costs were primarily a result of lower throughput rates, operating challenges and financial constraints experienced in Q4 2013. During Q4 2013, production was impacted by financial constraints causing sub-optimal operating conditions and mining primarily in harder ore sections of the pit, all of which resulted in lower average throughput and lower recovery rates when comparing Q4 2013 to Q4 2012 (see *Mineral Park Mine* discussion below). As a result of the above noted operating factors and market conditions, the operating loss was $5.6 million in Q4 2013, as compared to operating income before the El Creston impairment charge* of $10.6 million in Q4 2012.

Mineral Park Mine

For Q4 2013, Mineral Park Mine ("Mineral Park") produced 8.7 million pounds of copper in concentrates and copper cathode and 2.1 million pounds of molybdenum in concentrates. Production during Q4 2013 at Mineral Park was impacted by a number of factors including, but not limited to, mining through harder sections of the mineral deposit and financial constraints which resulted in lower equipment availability, all of which lowered throughput rates by 18% to 37,093 tpd in Q4 2013 when compared to Q4 2012. The harder ore and other factors discussed herein also affected metal recovery rates, which were 77.8% and 81.9% for copper and molybdenum, respectively, or 6% and 4%, respectively, lower than in Q4 2012. Mill design rates for copper and molybdenum recovery are 80% and 75%, respectively. Offsetting in part the lower production were higher ore grades mined; copper and molybdenum grades mined in Q4 2013 were 0.15% and 0.038%, respectively.

Given the financial constraints at Mineral Park, significant emphasis in the quarter was placed on prudently managing working capital levels. Lower working capital levels negatively impacted production levels in Q4

2013 as the focus has been to pay suppliers in a timely manner and to lower spare part inventory levels. The lower spare part inventory levels caused increased downtime due to lower mining and milling equipment availability and lower levels of grinding media, reagents and lower blasting materials available.

Since receiving funds from the Bridge Loan in late December 2013, throughput rates, equipment availability and production levels are gradually returning to normalized levels as have working capital levels, with trade account payables as at December 31, 2013 at their lowest level since the completion of the Phase II expansion in Q4 2011.

Intergeo Transaction

As announced on December 12, 2013, Mercator entered into an arrangement agreement ("Arrangement") with Intergeo that will effect a business combination to create a copper-focused base metals company with a robust growth profile and strong financial support. As part of the Transaction, Daselina has also agreed to invest $100 million by way of a private placement in the new combined company, which is to be called Intergeo Mining Ltd. Also on December 12, 2013, Mercator announced that Daselina has agreed to provide a Bridge Loan of up to $14 million to MPI and MPI's lenders have agreed to an amended and restated credit facility enhancing the Company's financial flexibility.

Since the announcement of the Arrangement, an information circular outlining the full details of the Transaction and the voting instructions related thereto, together with the form of proxy and letter of transmittal ("Meeting Materials"), was mailed to Mercator shareholders of record as at February 25, 2013. The Meeting Materials are available on SEDAR (www.sedar.com>) and on the Company's website. Shareholders are encouraged to vote in person or by proxy at the Special Shareholders Meeting ("Meeting") scheduled for April 7, 2014 at 10:00am (Vancouver time) in Vancouver, BC. To be effective, the Arrangement must be approved by a special resolution passed by at least 66 2/3% of the votes cast by the shareholders present in person or represented by proxy at the Meeting. The Arrangement is also subject to the approval of the Supreme Court of British Columbia, applicable regulatory approvals, and certain other conditions.

Mercator's Board of Directors unanimously supports the Arrangement and recommends that shareholders vote in favour of the special resolution.

Due to the ongoing nature of the Intergeo Transaction, management will not be hosting a webcast/conference call to discuss 2013 operating and financial results.

Financial Statements and Management Discussion & Analysis (MD&A)

This news release is prepared as at March 31, 2014 and should be read in conjunction with the Annual Information Form, MD&A and audited financial statements for the year ended December 31, 2013. These documents have been posted on Mercator's website (www.mercatorminerals.com) and on SEDAR (www.sedar.com).

*** Alternative Performance Measures**

This press release refers to "cash costs", "adjusted net income (loss)" and "operating profit before asset impairment charges" which are not performance measures recognized as having a standardized meaning under IFRS. The Company discloses these performance measures, which have been derived from the financial statements on a consistent basis, because the Company believes they are of assistance in understanding the results of Mercator's operations and financial position, and are meant to provide further information about the Company's financial results to the investors. These performance measures may not be comparable to similar data presented by other mining companies. This information should not be considered in isolation or as a substitute for measure of performance prepared in accordance with IFRS. Readers should refer to "Alternative Performance Measures" section in the December 31, 2013 MD&A for additional information.

**** Copper equivalent production**

All references to copper equivalent production for 2012 is calculated using a molybdenum/copper ratio of 4.53, based on the Company's beginning of year estimated 2012 metals prices, including adjustments for copper hedging. All references to copper equivalent production for 2013 is calculated using a molybdenum/copper ratio of 4.65, based on the Company's beginning of year estimated 2013 metals prices, including adjustments for copper hedging.

Quality Assurance/Quality Control

The Technical Information contained in this news release of has been prepared under the supervision of, and its disclosure has been reviewed by Gary Simmerman, BSC, Mining Eng., FAusIMM, consultant to Mercator, who has been deemed to be a Qualified Person under NI 43-101.

About Mercator Minerals Ltd.

Mercator Minerals Ltd., a TSX listed base metals mining company, operates the wholly-owned copper/molybdenum/silver Mineral Park Mine in Arizona, USA. Mercator also wholly-owns two development projects in Sonora, Mexico: the copper heap leach El Pilar project and the molybdenum/copper El Creston project.

For further information please visit www.mercatorminerals.com.

On Behalf of the Board of Directors MERCATOR MINERALS LTD.

D. Bruce McLeod, P.Eng.
President and CEO

National Instrument 43-101 Compliance

Unless otherwise indicated, Mercator has prepared the technical information in this news release ("Technical Information") based on information contained in the current technical reports, annual information form, news releases, material change reports and quarterly and annual consolidated financial statements and management discussion and analysis (collectively the "Disclosure Documents") available under Mercator Minerals Ltd.'s company profile on SEDAR at 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 Administration ("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.

Forward-Looking Information

This press release contains certain 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. Forward-looking statements relate to future events or future performance and reflect the expectations or believes regarding future events of management of Mercator. When used in this document, the words "anticipates", "may", "can", "believes", "expects", "projects", "intends", "likely", "will", "to be" or the negative of these terms and any similar expressions and any other statements that are not historical facts, in each case as they relate to Mercator, the Intergeo Transaction or the combined company are intended to identify those assertions as forward-looking information and statements. In making such statements, the Company believes that its expectations are based on reasonable assumptions. However, any such statement may be influenced by factors that could cause actual outcomes and results to be materially different from those projected or anticipated. This information and these statements, referred to herein as "forward‐looking statements", are not historical facts, are made as of the date of this press release and include without limitation, statements regarding discussions of future plans, guidance, projections, objectives, estimates and forecasts and statements as to management's expectations with respect to, among other things, the receipt of any and all necessary regulatory approvals, third party consents and authorizations may constitute forward-looking statements. These forward‐looking statements involve numerous risks and uncertainties and actual results may vary. Important factors that may cause actual results to vary include without limitation, certain transactions, the successful completion of the Intergeo Transaction, and the ability to meet obligations under certain credit facilities and other debt instruments, the timing and receipt of certain approvals, changes in commodity and power prices, changes in interest and currency exchange rates, risks inherent in exploration results, timing *and success, inaccurate geological and metallurgical assumptions (including with respect to the size, grade and recoverability of mineral reserves and resources), unanticipated operational difficulties (including failure of plant, equipment or processes to operate in accordance with specifications, cost escalation, unavailability of materials, equipment and third‐party contractors, delays in the receipt of government approvals, industrial disturbances or other job action, and unanticipated events related to health, safety and environmental matters), political risk, social unrest, and changes in general economic conditions or conditions in the financial markets. In making the forward‐looking statements in this press release, the Company has applied several material assumptions, including without limitation, the assumptions that: (1) the receipt of necessary consents and approvals and satisfaction of all conditions precedent for the completion of the Intergeo Transaction in a timely manner; (2) market fundamentals will result in sustained copper, molybdenum and nickel demand and prices; (3) the current copper leach operations at Mineral Park remain viable, operationally and economically; (4) the milling operations at Mineral Park will continue to be viable, operationally and economically; (5) the receipt of any necessary approvals and consents in connection with the development of any new properties; (6) the availability of financing on suitable terms for the development, construction and continued operation of any mineral properties; (7) the presence of and continuity of metals at the Mineral Park Mine and at the Company's other properties at modelled grades; (8) the capacities of various machinery and equipment; (9) the availability of personnel, machinery and equipment at estimated prices; (10) exchange rates; (11) tax rates applicable to the mining operations; (12) cash costs; (13) anticipated mining profits; (14) metals recovery rates; (15) reasonable contingency requirements; and (16) sustained commodity prices such that any properties in or put into operation remain economically viable. Information concerning mineral reserve and mineral resource estimates also may be considered forward‐looking statements, as such information constitutes a prediction of what mineralization might be found to be present if and when a project is actually developed. Certain of the risks and assumptions are described in more detail in the Mercator's Annual Information Form, Audited Financial Statements and MD&A for the year ended December 31, 2013 on the SEDAR website at www.sedar.com. The actual results or performance by Mercator could differ materially from those expressed in, or implied by, any forward-looking statements relating to those matters. Accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what impact they will have on the results of operations or financial condition of Mercator. Except as required by law, the Company is under no obligation, and expressly disclaims any obligation, to update, alter or otherwise revise any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.*

Contact

Mercator Minerals Ltd.
D. Bruce McLeod, P.Eng., President & CEO
778.330.1290
bmcleod@mercatorminerals.com

Mercator Minerals Ltd.
David Jan, CPA, CA, Head of Investor Relations & Communications
778.330.1295
djan@mercatorminerals.com
www.mercatorminerals.com