Ivernia Reports First Quarter 2014 Financial Results

29.04.2014 | Marketwired

NOT FOR DISTRIBUTION TO UNITED STATES NEWSWIRE SERVICES OR FOR DISSEMINATION IN THE UNITED STATES

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

TORONTO, ONTARIO -- (Marketwired - April 29, 2014) - Ivernia Inc. ("Ivernia" or, collectively with its subsidiaries, the "Company") (TSX:IVW) today reported results for the three months ended March 31, 2014. Principal activities during the first quarter of 2014 focused on maximizing production and sales, implementing cost reduction projects, and improving the company's working capital position.

Concentrate revenue for the first quarter of 2014 was $32.6 million from the sale of 25,900 tonnes of concentrate containing 17,100 tonnes of lead metal which was impacted by a previously disclosed rail transport disruption in the quarter. The Company remained cash flow positive for the quarter with a $1.0 million net increase in cash but generated a net loss after tax of $2.9 million.

FIRST QUARTER 2014 HIGHLIGHTS

Financial

- Revenue of $32.6 million on the sale of 25,900 tonnes of concentrate containing 17,100 tonnes of lead.

- Gross profit of $9.9 million.

- Cash flow positive with a $1.0 million net increase in cash since December 31, 2013.

- Net loss after tax of $2.9 million.

- On March 31, 2014, we entered into an amendment to the credit facility with Sprott Resource Lending Partnership ("Sprott") to postpone the commencement of repayment of principal instalments from March 31, 2014 to June 30, 2014 and to allow the C$20 million principal to be repaid in equal monthly instalments over a 24 month period ending May 31, 2016 (as amended, the "Sprott Facility") further strengthening our cash flow position.

- As part of amending the Sprott Facility, Ivernia closed a private placement of 41,666,667 common shares at C$0.12 per share for proceeds of C$5 million on April 11, 2014 with five existing shareholders to improve the Company's working capital.

Operational

- Mining, processing and export operations at the Mine recommenced in April 2013.

- Operations continued to be focused on maximizing production and sales levels in the quarter despite the temporary rail transportation disruption due to a rainfall event in January.

- During April 2014 we switched the supply of fuel to the power plant at the Mine from diesel to natural gas which is expected to result in cost savings going forward.

- We produced 26,300 tonnes of concentrate containing 17,300 tonnes of lead metal.

- For 2014, we expect to produce and sell between 80,000 and 85,000 tonnes of lead contained in concentrate.

FINANCIAL AND OPERATING HIGHLIGHTS

(For the three months ended March 31) (in thousands of United States dollars, unless otherwise indicated and per share amounts)	2014	2013
	$	$
Financial Highlights		
Revenue(1)	32,605	-
Gross profit/(loss)	9,892	(7,041)
Net loss	(2,892)	(7,285)
Basic loss per share	(0.00)	(0.01)
Total assets	194,979	196,798
Cash flow provided by (used in) operating activities	1,169	(7,422)
Operating Highlights		
Ore milled - (000's tonnes)	363.6	-
Average head grade - (% lead)	6.2%	-
Recovery - (%)	76.8 %	-
Concentrate produced - (000's dry tonnes)	26.3	-
Concentrate sold - (000's dry tonnes)	25.9	-
Lead metal in concentrate produced - (000's tonnes)	17.3	-
Lead metal in concentrate sold - (000's tonnes) (3)	17.1	-
Concentrate inventory - (000's of dry tonnes)	4.2	10.1
Average lead price - LME cash settlement- ($ per pound) (2)	0.96	-
Ivernia's realised average lead sale price - ($ per pound)	0.96	-

1. The Mine was placed on care and maintenance in April 2011. In April 2013, we recommenced mining, processing and transportation operations.

2. Average lead price - London Metal Exchange ("LME") cash settlement is calculated from April 4, 2013 onwards, being the date of restart of milling and processing operations.

3. The figures for lead metal in concentrate sold for the first quarter of 2014 is subject to adjustment for the final settlement of weights and assays for concentrate shipped during this period.

OPERATIONS REVIEW

During the first quarter of 2014, the mill treated 363,600 dry metric tonnes of ore with an average head grade of 6.2% lead. The plant recovered an average of 77% of the lead in ore fed to the mill, to produce 26,300 dry metric tonnes of concentrate with an average grade of 65.6% containing 17,300 tonnes of lead metal. The Company sold approximately 25,900 tonnes of concentrate containing 17,100 tonnes of lead metal. For the comparative quarter in 2013 the mine was not operational. When compared to the fourth quarter of 2013, this quarter's operational results are largely in line. When compared to the fourth quarter of 2013, the amount of ore treated through the mill was approximately 6% greater in the first quarter of 2014; however, the average head grade was approximately 9% lower in the first quarter of 2014 which resulted in the amount of lead metal produced being approximately 4% lower in the first quarter of 2014. Recovery was largely stable between the fourth quarter of 2013 and the first quarter of 2014.

In the first quarter of 2014, the Company faced a variety of challenges from extreme weather events to unusual ore characteristics. During January 2014 significant rainfall occurred within the Wiluna and Kalgoorlie regions which cut access to the Mine site for intermittent periods. Critical supplies of food, fuel and reagents were slowed impacting operations at the Mine. During this period the supply chain was shut down by the washout of several sections of the rail line between Leonora and Kalgoorlie. This meant we were unable to ship concentrate to our customers. During this time, inventory levels increased as concentrate was stockpiled in containers for shipment pending re-opening of the rail line. The rail line was closed for a period of 3 to 4 weeks and is now back to full operation.

Operating results for the quarter delivered periods of lower than expected head grades and poor recoveries which was driven by atypical ore characteristics. As a result of these supply chain interruptions and atypical ore characteristics sales of lead metal in concentrate were approximately 2,500 tonnes lower than the sales of 19,600 tonnes achieved during the fourth quarter of 2013. Contingency plans were activated with the result being that both grade and recovery improved to above expectations by the end of the quarter. Production recovery plans have been activated to recover the lost production and sales within the second and third quarters of 2014.

Despite the interruptions to the sales supply chain, sales of concentrates in the quarter approximated production levels. The market for the Company's concentrate remains solid with sales booked for the balance of 2014's forecast production.

While the Company was cash flow positive in the first quarter with a $1.0 million net increase in cash over the end of the fourth quarter of 2013, the Company generated a net loss of $2.9 million for the quarter. The net loss for the quarter was partially impacted by lower LME lead prices as well as lower than expected concentrate sales and production due to the rail transportation disruption caused by the rainfall event in January 2014. By the end of the first quarter, the LME three month forward lead price had reduced from $1.01 per pound as at December 31, 2013 to $0.94 per pound leading to a $2.2 million write down of inventory to net realizable value primarily relating to the Mine's medium grade stockpiles.

We commenced two major projects at the Mine during the first quarter of 2014. The first is a gas power generation project which resulted in the Mine switching the supply of fuel to the power plant from diesel to natural gas during April 2014. This will result in cost savings for the Company going forward. The second is a Tailings Storage Facility ("TSF") lift. This involves the raising of the dam walls to enable greater storage capacity within the TSF to support continuous processing operations.

Summary quarterly mine production, process production, shipments and inventories:

(For the three months ended March 31)	2014	2013
Mining		
Ore mined - 000's tonnes(1)	470.2	-
Total ore and waste mined - 000's of BCM	810.6	-
Processing		
Ore milled - 000's tonnes	363.6	-
Average head grade - % lead	6.2 %	-
Average recovery - %	76.8 %	-
Concentrate produced - 000's dry tonnes	26.3	-
Concentrate grade - % lead	65.6 %	-
Lead metal in concentrate produced - 000's tonnes	17.3	-
Sales and inventories		
Concentrate sold - 000's dry tonnes	25.9	-
Concentrate grade - % lead	65.8 %	-
Lead metal in concentrate sold - 000's tonnes	17.1	-
Concentrate inventory - 000's dry tonnes	4.2	10.1

(1) Ore mined does not include low grade ore

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

Production Outlook

We will continue to focus on maximizing production and sales levels and delivering continuous cost improvements. This requires continued improvement of the operational efficiency 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.

Despite the brief interruption due to heavy rainfall encountered during the first quarter, full year production and sales guidance remains unchanged, at between 80,000 and 85,000 tonnes of lead contained in concentrate ("2014 Guidance"). Production during the second quarter of 2014 is expected to exceed the first quarter as head grades improve and weather conditions return to normal. The 2014 Guidance is a forward-looking statement based on certain material factors and assumptions. See "Forward-Looking Statements".

Capital Resources, Liquidity and Working Capital Requirements

As of March 31, 2014, the Company had approximately $8.0 million in cash and cash equivalents and has a working capital deficiency of $0.03 million. The Company had a working capital deficiency as at December 31, 2013 of approximately $7.1 million due, in part, to the current portion of its long term debt. As a result, the Finance Committee of the Board of Directors worked with management starting at the end of 2013 to help ensure that the Company remains cash flow positive in 2014 and to improve the Company's working capital position. The Finance Committee and management determined that given the budgeted expenditures for 2014, the state of lead prices in recent months, interest payments, the commencement of principal repayments to Sprott on March 31, 2014 and the potentially significant consequences that even a minor transportation disruption (such as the one that occurred in late January 2014) could have on the Company's cash flows, that it was necessary for the Company to take proactive steps to improve its working capital position and to reduce the risk of the Company becoming cash flow negative in 2014. Accordingly, the Finance Committee engaged in discussions with Sprott which resulted in amending the Sprott Facility on March 31, 2014 and closing a related private placement of common shares for proceeds of C$5 million on April 11, 2014. The Sprott Facility, as amended, and related private placement proceeds have improved the Company's working capital position since year end. In particular, the Sprott Facility, as amended, postpones the commencement of principal repayments by three months until June 30, 2014 and allows Ivernia to repay the C$20 million principal in equal monthly instalments of C$833,333 over 24 months compared to monthly instalments of C$1,666,667 over 12 months. Management expects that the Company will remain cash flow positive for 2014, assuming current lead prices and foreign exchange rates do not materially deteriorate. However, ongoing cash flow from operating activities continues to be exposed to fluctuations in metal prices, production and shipping rates, the A$/US$ exchange rate and demand for lead concentrate. See "Risk Factors - Funding Requirements" in the annual information form dated March 24, 2014 ("2013 AIF") and "Forward-Looking Statements" below. If management considers cash flow 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 additional financing in the future.

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 March 31, 2014 will be filed today and will be available on the Ivernia website at www.ivernia.com or SEDAR at www.sedar.com

About Ivernia

Ivernia is an international base metal mining company and the owner of the Paroo Station Mine, located in Western Australia. Ivernia trades under the symbol "IVW" on the Toronto Stock Exchange. Ivernia and the Mining Operations operate under a management services arrangement with Enirgi Group Corporation, Ivernia's majority shareholder.

Additional information on Ivernia is available on the Company's website at www.ivernia.com and at SEDAR at 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 2014 Guidance or other future targets and estimates for production and sales, the Company's ability to meet its working capital needs and debt repayments in the near term, projections with respect to cash flows and working capital, any additional financing requirements to operate the Mine, the cost and timing for completion of capital projects necessary for ongoing operations, the Company's ability to comply with the transportation and operating conditions for the Mine, 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 maintain 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 2013 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 INFORMATION

Ivernia Inc.
Jessica Helm, VP, Corporate Communications
(416) 867 9298
investor@ivernia.ca
www.ivernia.com