

# Ivernia Reports Second Quarter 2014 Financial Results

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TORONTO, July 31, 2014 (GLOBE NEWSWIRE) -- [Ivernia Inc.](#) ("Ivernia" or, collectively with its subsidiaries, the "Company") (TSX:IVW) today reported results for the three and six months ended June 30, 2014. Principal activities during the second quarter of 2014 focused on increasing production, ongoing cost reduction initiatives, process optimizations, and improving our working capital position. With respect to operations, our work centered on improving recovery, head grades of ore delivered to the mill and reclamation of low grade concentrate sent to the process dam, as part of our efforts to recover the production lost in the first quarter due to an unusual rainfall event.

Concentrate revenue for the second quarter of 2014 was \$41.5 million from the sale of 31,000 tonnes of concentrate containing 20,700 tonnes of lead metal compared to revenue of \$22.1 million for the second quarter of 2013 from 16,700 tonnes of concentrate containing 10,700 tonnes of lead metal. Concentrate revenue for the first six months of 2014 was \$74.1 million from the sale of 56,900 tonnes of concentrate containing 37,800 tonnes of lead metal compared to revenue of \$22.1 million for the first six months of 2013 from the sale of 16,700 tonnes of concentrate containing 10,700 tonnes of lead metal.

The Company was cash flow positive in the second quarter with an \$8.0 million net increase in cash over the end of the first quarter of 2014 primarily driven by an increase in equity of C\$5.0 million from the private placement and positive cash flow from operations of \$4.8 million through a focused effort to conserve cash and maintain cash flow flexibility. The Company generated an operating income of \$1.3 million for the quarter.

## SECOND QUARTER 2014 HIGHLIGHTS

### Financial

- Revenue of \$41.5 million on the sale of 31,000 tonnes of concentrate containing 20,700 tonnes of lead.
- Gross profit of \$16.1 million.
- Cash flow provided by operations of \$4.8 million.
- Net income after tax of \$2.4 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.
- Our principal repayments of C\$0.8 million per month under the Sprott Facility commenced on June 30, 2014.

### Operational

- A new quarterly production record was set as we produced 31,900 dry metric tonnes of concentrate containing 21,500 tonnes of lead metal representing increases of 21% and 24%, respectively, compared to the first quarter of 2014.
- Operations continue to be focused on maximizing production and sales levels and reducing costs.
- During April 2014, we switched the power station at the Mine from diesel to natural gas generators which have and will continue to result in significant costs reductions.



The plant recovered an average of 84.2% of the lead in ore delivered to the mill, producing 31,900 dry metric tonnes of concentrate with an average grade of 67.3% containing 21,500 tonnes of lead metal of which 800 tonnes was reclaimed from processing lead concentrate sent to the process dam. This compares favorably to the corresponding quarter in 2013 when the average plant recovery was 69% resulting in the production of 14,100 dry metric tonnes of concentrate with an average grade of 64.0% containing 9,000 tonnes of lead metal representing increases of 126% and 139% in the production of concentrate and lead metal, respectively. The higher recoveries in the second quarter of 2014 are principally attributed to the contingency plans that were activated at the end of the first quarter as discussed below.

In the first quarter of 2014, the Mine faced a variety of challenges from an extreme weather event to unusual ore characteristics. The challenges of the first quarter resulted in the Mine being behind its 2014 Guidance production level at the end of the quarter. The improved performance in the second quarter has significantly reduced the gap between actual and expected production and sales keeping us on target to meet production and sales levels as disclosed in the 2014 Guidance as defined below.

A number of contingency plans were activated at the end of the first quarter to improve production during the second quarter. These plans centered on improving recovery, head grades of ore delivered to the mill and the reclamation of low grade concentrate sent to the process dam. In general, during periods when we are processing higher grade ore, our production capacity is limited by the processing capability of the filter press. Accordingly, due to the higher grades of ore being processed and amount of lead in the circuit during the second quarter, our milling and production capacity for the quarter was limited by filter press. This resulted in milled tonnes being 19% lower in the second quarter than the first quarter, however despite the lower milling rates we produced 21,500 tonnes of lead metal during the second quarter which was a new quarterly record for the Mine. See "Production Outlook".

The Company was cash flow positive in the second quarter with an \$8.0 million net increase in cash over the end of the first quarter of 2014 primarily driven by an increase in equity of C\$5.0 million from the private placement and positive cash flow from operations of \$4.8 million through a focused effort to conserve cash and maintain cash flow flexibility. The Company generated an operating income of \$1.3 million for the quarter. Adverse weather in southwest Australia delayed a shipment at the end of the quarter resulting in slightly lower sales for the quarter with the shipment being delivered early in the third quarter. For the second quarter, the LME cash settlement lead price averaged \$0.95 per pound which was slightly lower than \$0.96 per pound for the first quarter but higher than the second quarter of 2013 where the average was \$0.93 per pound.

We completed two major projects at the Paroo Station Mine during the second quarter of 2014. The first was a gas power generation project which resulted in the Paroo Station Mine switching the supply of fuel to the power plant from diesel to natural gas during April 2014. This will result in continuing cost savings for the Mine. The second was the Tailings Storage Facility ("TSF") lift. This involves raising of the dam walls to enable greater storage capacity within the TSF to support continuous processing operations. During the quarter we began negotiations with the native title holders in relation to a new expanded land use agreement covering the Mine and related exploration and operation activity.

In the second quarter of 2014, we entered into a services agreement with a new camp services provider for the Mine which is expected to realize cost savings going forward.

We have commenced a project to understand and determine the optimal use and development of the Mine and its deposits with due consideration of the Company's current financial condition. Among other things, the project will study ore throughput rates for the mill and processing scenarios, capital requirements and operating costs, expanded regulatory and stakeholder approvals and land access requirements. Our ability to achieve higher production capacity is subject to a number of pre-conditions, including the development of the Pinzon deposit, the receipt of regulatory approval to increase its annual ore throughput rate above 1.7 Mtpa and a capital investment to complete the mill expansion. The outcomes from the project are expected to be developed over the next 6 to 12 months.

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

Three months ended June 30		Six months ended June 30	
2014	2013	2014	2013

<b>Mining</b>				
Ore mined &ndash; 000s tonnes <sup>(1)</sup>	400.3	171.0	870.6	171.0
Total ore and waste mined &ndash; 000s of BCM	958.5	187.0	1,769.1	187.0
<b>Processing</b>				
Ore milled &ndash; 000s tonnes	294.2	160.0	657.9	160.0
Average head grade &ndash; % lead	8.4%	8.1%	7.2%	8.1%
Average recovery &ndash; %	84.2%	69.0%	80.7%	69.0%
Concentrate produced &ndash; 000s dry tonnes	31.9	14.1	58.3	14.1
Concentrate grade &ndash; % lead	67.3%	64.0%	66.5%	64.0%
Lead metal in concentrate produced &ndash; 000s tonnes	21.5	9.0	38.8	9.0
<b>Sales and inventories</b>				
Concentrate sold &ndash; 000s dry tonnes	31.0	16.7	56.9	16.7
Concentrate grade &ndash; % lead	66.9%	64.0%	66.4%	64.0%
Lead metal in concentrate sold &ndash; 000s tonnes	20.7	10.7	37.8	10.7
Concentrate inventory &ndash; 000s dry tonnes	5.2	7.3	5.2	7.3

(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

Whilst significantly improved head grades were recorded during the second quarter of 2014, we do not expect that this will continue into the third quarter and expect the head grade to be reduced in line with the Mine plan supporting the 2014 Guidance below. With a lowering of the head grade we expect that milling tonnages will increase to maintain our planned level of lead production. During the second quarter, the milling rates were maximized but lower than capacity due to the processing rate being restricted by the amount of lead that could be filtered. The milling rates required for planned head grades expected to be processed for the second half of 2014 are achievable based on the plant's milling capacity.

Full year guidance of expected production and sales of between 80,000 to 85,000 tonnes of lead contained in concentrate ("2014 Guidance") remains unchanged. The 2014 Guidance is a forward-looking statement based on certain material factors and assumptions. See "Forward-Looking Statements".

## Amendment to Sprott Facility and Private Placement

On March 31, 2014, the Sprott Facility was amended to postpone the commencement of principal repayments from March 31, 2014 to June 30, 2014 and to extend the maturity date of the Sprott Facility from February 28, 2015 to May 31, 2016, thereby allowing principal repayments to occur in equal instalments over a period of 24 months. In consideration for these amendments to the Sprott Facility: (i) Ivernia issued an additional 3,007,518 Ivernia common shares to Sprott and its nominees having a value of C\$400,000 on March 31, 2014, and (ii) 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 to improve the Company's working capital. In connection with these amendments to the Sprott Facility, Enirgi Group agreed to postpone the maturity date of the C\$6 million Enirgi loan facility to June 30, 2016.

## Capital Resources, Liquidity and Working Capital Requirements

The Company had a working capital deficiency as at December 31, 2013 of approximately \$6.8 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, postponed 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.

Due in part to the actions taken, as at June 30, 2014 the Company had \$16.0 million in cash and cash equivalents and had a working capital surplus of \$4.5 million. 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 Company's annual information form dated March 24, 2014 (the "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 and six months ended June 30, 2014 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, 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](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 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 (the "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 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.*

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