

# MBAC Fertilizer Reports Q3 2014 Results and Provides Corporate Update

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TORONTO, ON--(Marketwired - November 12, 2014) - [MBAC Fertilizer Corp.](#) ("MBAC" or the "Company") (TSX: MBC) and (OTCQX: MBCFF) announced today its financial results for the three- and nine-month periods ended September 30, 2014, and provided a general corporate and operational update on its Itafós Arraias Single Super Phosphate ("SSP") Operations ("Itafós" or the "Itafós Operations"). All amounts, unless noted, are in U.S. currency.

## Q3 2014 HIGHLIGHTS:

- Produced 30,722 tonnes of SSP, including approximately 22,000 tonnes in September;
- Generated pre-commercial revenue of \$6.3 million from the sale of SSP;
- Established a daily production record of approximately 1,700 tonnes of SSP, exceeding the expected daily production volume that Itafós was originally designed for;
- Executed a new credit facility of \$17.4 million, of which \$10.6 million was disbursed through September 30, 2014; and
- Implemented a number of initiatives aimed at optimizing performance and reducing annual costs by approximately \$4.0 million.

## HIGHLIGHTS SUBSEQUENT TO QUARTER END:

- Executed debt extension agreements with senior lenders that included the deferral of principal and interest payments for a period of up to two years;
- Received disbursements from new working capital facilities of approximately \$5.4 million;
- Commenced purchasing phosphate rock from third parties for use as feedstock in the production of SSP at Itafós thereby optimizing the use of plants at its industrial complex; and
- Commenced discussions with a financial advisor, in collaboration with the senior lenders, to find a definitive solution for the Company's capital constraints, which may include sale of assets or other strategic arrangements.

"Our Q3 2014 performance was largely defined by our significant working capital constraints and efforts to address our immediate liquidity requirements," said Cristiano Melcher, President and CEO of [MBAC Fertilizer Corp.](#) "Nevertheless, recent developments, including the production of approximately 22,000 tonnes of SSP in September, the formal execution of debt extension agreements with senior lenders and receiving disbursements of approximately \$5.4 million in new working capital, are encouraging and underscore the strength of our market and our competitive advantage."

Mr. Melcher also stated, "In addition to the significant working capital constraints, the planting season in Brazil is effectively at an end and near-term demand for our SSP product will, as a result, be soft. As such, we will prudently align our operations with the seasonality of SSP demand in our target region with the objective of conserving cash. Production of higher volumes is expected to resume in the first half of 2015 when demand for SSP is expected to grow. Although this action will defer our ability to declare commercial production, the need to be pragmatic and ensure our long-term strength and potential takes precedence. We would like to remind everyone that based on our progress to date, the plants have demonstrated that they meet the required technical specifications and have the ability to be ramped up when the seasonal sales demand starts rising in 2015."

## FINANCING UPDATE

During Q3 2014, MBAC executed a new credit facility of \$17.4 million, of which \$10.6 million was disbursed through September 30, 2014. Furthermore, subsequent to quarter end, the Company also received disbursements from new working capital facilities of approximately \$5.4 million. The Company has been attempting to address its liquidity issues through various strategic efforts to date. The Company also continues to actively seek additional financing to address its immediate liquidity issues. In addition,

subsequent to quarter end, the Company commenced discussions with a financial advisor, in collaboration with the Company's senior lenders, to find a definitive solution for the Company's capital constraints, which may include sale of assets or other strategic arrangements.

### ITAFÓS OPERATIONS UPDATE

The table below summarizes the operational performance for the Itafós Operations during the quarter ended September 30, 2014:

| <i>(in tonnes unless otherwise stated)</i>       | Q3 2014 | YTD 2014 |
|--|---------|----------|
| Ore extracted                                    | 191,568 | 419,244  |
| P <sub>2</sub> O <sub>5</sub> grade (%)          | 7.3     | 7.2      |
| SSP pre-commercial production                    | 30,772  | 86,902   |
| SSP pre-commercial sales on deliveries           | 34,607  | 76,583   |
| Pre-commercial net revenue <i>(in thousands)</i> | \$6,252 | \$13,857 |

MBAC's performance in Q3 2014 was primarily impacted by significant working capital constraints, which placed limits on the Company's ability to purchase consumables and maintain a more adequate spare parts inventory. As a result, MBAC has updated its previously disclosed production and sales guidance for 2014 and 2015 to the following:

| <i>(in thousands of tonnes unless otherwise stated)</i> | 2014     | 2015      |
|---|----------|-----------|
| SSP   |          |           |
| Production  | 95 - 105 | 325 - 350 |
| Sales   | 95 - 105 | 325 - 350 |
| Sulphuric acid available for sale                       |          |           |
| Production  | 15 - 17  | 30 - 40   |
| Sales   | 15 - 17  | 30 - 40   |

MBAC continues to expect that over the longer-term its future sales growth will be supported by strong market fundamentals and demand trends in Brazil. Fertilizer consumption has continued to be strong, driven by increased intensity of fertilizer application and increased planting area. In the first nine months of 2014, fertilizer consumption was up 7.2% compared to the same period last year according to ANDA (the National Fertilizer Association of Brazil). ANDA has forecasted record fertilizer consumption of 32.1 million tonnes and a decrease in fertilizer imports from approximately 870,000 tonnes in 2013 to approximately 470,000 tonnes for 2014 in Brazil.

### Q3 2014 FINANCIAL RESULTS

Prior to reaching commercial production, MBAC capitalizes all costs related to Itafós to property, plant and equipment. Proceeds from sales during this period are offset against capitalized costs. MBAC was a pre-commercial stage company in Q3 2014. As stated earlier, MBAC will align its operations with the seasonality of SSP demand in our target region with the objective of conserving cash. Production of higher volumes is expected to resume in the first half of 2015 when demand for SSP is expected to grow.

MBAC incurred a net loss of \$18.7 million or \$0.10 per basic and diluted share in Q3 2014. This compares to a net loss of \$6.6 million or \$0.04 per basic and diluted share for Q3 2013. The increase in net loss was primarily due to an unrealized foreign exchange loss of \$12.3 million resulting from the revaluation of the Company's long-term debt, intercompany loans and deferred income. The foreign exchange impact on the intercompany loans is recorded for accounting purposes and does not alter the economic impact for the Company. Excluding unrealized foreign exchange losses, restructuring costs, other non-cash items and non-recurring items, MBAC had an adjusted net loss<sup>1</sup> in Q3 2014 of \$2.2 million or \$0.01 per basic and diluted share. This compares to an adjusted net loss of \$4.5 million or \$0.03 per basic and diluted share in Q3 2013.

For the nine-month period ended September 30, 2014, MBAC incurred a net loss of \$19.7 million or \$0.12 per share, down from a net loss of \$21.2 million or \$0.15 per share for the same period in 2013. For the nine-month period ended September 30, 2014, MBAC incurred an adjusted net loss of \$15.6 million or \$0.09 per share, which was an increase from the adjusted net loss of \$13.6 million or \$0.10 per share for the same period in 2013.

MBAC's Financial Statements and Management Discussion and Analysis ("MD&A") for the quarter ended September 30, 2014 are available on [www.sedar.com](http://www.sedar.com) and from the Company's website, [www.mbacfert.com](http://www.mbacfert.com).

## **BOARD CHANGES**

The Company also announced that the Hon. David Peterson has resigned as a director of the Company. As a part of the Company's debt extension, it has agreed with certain of its senior lenders to the adoption of certain corporate governance actions going forward, which includes the appointment of independent directors with particular expertise in the mining and fertilizer industry in Brazil. The Company, in collaboration with its senior lenders, is undertaking a process to identify one or more suitable candidates to serve on MBAC's board.

Mr. Peter Marrone, Chairman of the Board of Directors of MBAC commented: "On behalf of MBAC and all of its stakeholders, I want to sincerely thank Mr. Peterson for his contributions and wish him every success in his future endeavors."

## **CONFERENCE CALL**

The Company will hold a conference call to discuss its Q3 2014 financial results on Thursday, November 13, 2014 at 9:00 am EDT. All interested parties can join the conference call by dialing 1-800-319-4610 or 416-915-3239. Please dial in 15 minutes prior to the start of the call to secure a line.

The corporate presentation and audio of the conference call will be available via webcast at:  
<http://services.choruscall.ca/links/mbac141113.html>

Please connect at least 15 minutes prior to the conference call to ensure adequate time for any software download that may be required to join the webcast.

The conference call will be archived for replay until November 27, 2014. To access the archived conference call, please dial 1 (800) 319-6413 or (604) 638-9010 and enter the encore code (5709) followed by the # key.

## **About MBAC**

MBAC is focused on becoming a significant integrated producer of phosphate fertilizers and related products in the Brazilian market. MBAC has an experienced team with significant experience in the business of fertilizer operations, management, marketing and finance within Brazil. MBAC owns and operates the Itafós Arraias SSP Operations which consists of an integrated fertilizer producing facility comprised of a phosphate mine, a mill, a beneficiation plant, a sulphuric acid plant, an SSP plant and a granulation plant and related infrastructure located in central Brazil ("Itafós Operations"). The Itafós Operations are estimated to have production capacity of approximately 500,000 tonnes of SSP per annum. MBAC's exploration portfolio includes a number of additional exciting projects, which are also located in Brazil. The Santana Phosphate Project is a high grade phosphate deposit located in close proximity to the largest fertilizer market of Mato Grosso State and animal feed market of Pará State. Further information on MBAC can be found on the Company's website at [www.mbacfert.com](http://www.mbacfert.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

## **FORWARD LOOKING STATEMENTS**

*This press release contains "forward-looking statements" within the meaning of applicable Canadian securities legislation. Forward-looking statements include, but are not limited to, statements related to activities, events or developments that the Company expects or anticipates will or may occur in the future, including, without limitation, statements related to the Company's business strategy, objectives and goals; the expectation of MBAC becoming a significant integrated producer of phosphate fertilizers and related products in the Brazilian markets; MBAC continuing to explore and implement initiatives to address its liquidity and capital restructuring requirements; being able capture the short term benefits of purchasing third party phosphate rock; increased demand and production of higher volumes of SSP during the first half of 2015; being able to find suitable candidates for appointment to the Board; and improving cash flow generation. Forward-looking statements are often identified by the use of words such as "plans", "planning", "planned", "expects" or "looking forward", "does not expect", "continues", "scheduled", "estimates", "forecasts", "intends", "potential", "anticipates", "does not anticipate", or "belief", or describes a "goal", or variation of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements are based on a number of factors and assumptions made by management and considered reasonable at the time such statements are made, and forward-looking statements involve known and unknown risks, uncertainties and other factors may cause the actual results, performance or achievements to be materially different from those expressed*

*or implied by the forward-looking statements. Such risk factors include, among others, the Company not becoming a significant integrated producer of phosphate fertilizers and related products in the Brazilian markets; MBAC not being successful in continuing to explore and implement initiatives to address its liquidity and capital restructuring requirements; not being able to capture the short term benefits of purchasing third party phosphate rock; increased demand and production of higher volumes of SSP during the first half of 2015; not being able to find suitable candidates for appointment to the Board; and improving cash flow generation as well as those factors disclosed in the Company's current Annual Information Form and Management's Discussion and Analysis, as well as other public disclosure documents, available on SEDAR at [www.sedar.com](http://www.sedar.com). Although MBAC 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. The forward-looking statements contained herein are presented for the purposes of assisting investors in understanding the Company's plan, objectives and goals and may not be appropriate for other purposes. Accordingly, readers should not place undue reliance on forward-looking statements.*

<sup>1</sup> Adjusted for the exclusion of certain non-cash and non-recurring items. Please refer to the Q3 2014 MD&A filed on [www.sedar.com](http://www.sedar.com) for a full reconciliation of the Non-IFRS measures.

**Shares Outstanding: 181,607,492**  
**Fully Diluted: 225,657,286**

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