Mandalay Resources Corporation Announces Third Quarter 2016 Financial Results, Quarterly Dividend

03.11.2016 | GlobeNewswire

Updated Guidance for Fiscal Year 2016 and Initial Guidance for 2017

TORONTO, Nov. 03, 2016 - Mandalay Resources Corp. ("Mandalay" or the "Company") (TSX:MND) today announced revenue of $48.5 million, adjusted EBITDA of $13.8 million and consolidated net income before special items of $1.1 million, or $0.00 per share, for the third quarter of 2016. The Company’s unaudited consolidated interim financial results for the three months ended September 30, 2016, together with its Management’s Discussion and Analysis (“MD&A”) for the corresponding period, can be accessed under the Company’s profile on www.sedar.com and on the Company’s website at www.mandalayresources.com. All currency references in this press release are in U.S. dollars except as otherwise indicated.

In accordance with the Company’s dividend policy, Mandalay’s Board of Directors declared a quarterly dividend of $2.9 million (6% of the trailing quarter’s gross revenue), or $0.0065 per share (CDN$0.0086 per share), payable on November 24, 2016, to shareholders of record as of November 14, 2016.

Consolidated revenue increased to $48.5 million from $43.3 million in the third quarter of 2015, largely due to increases in prices of gold, silver and antimony. Adjusted EBITDA rose proportionately to $13.8 million from $11.5 million. Operational income before tax decreased to $1.2 million from $2.2 million in the prior year quarter, and consolidated net income decreased to $0.5 million from $1.6 million in the third quarter of 2015. These decreases were due to a combination of higher taxes at Costerfield, which has exhausted its tax-loss carryforwards, and the write-off of $1.2 million for mineral properties and exploration.

Commenting on third quarter 2016 financial results, Dr. Mark Sander, President and CEO of Mandalay, noted, “Mandalay generated strong revenue and adjusted EBITDA in the third quarter of 2016 despite the impact of the suspension of operations at Cerro Bayo due to the fatality incurred in September (see Mandalay’s press releases of September 11 and 19, and October 12, 2017). Total production in the current quarter was 34,586 ounces of gold equivalent, less than the year-ago quarter production of 40,293 ounces of gold equivalent due to the operational suspension at Cerro Bayo. Cash cost of production was higher in the current quarter than in the third quarter of 2016 ($970 per ounce gold equivalent vs $783 per ounce gold equivalent in the year ago period), due to ongoing fixed operating expenses incurred at Cerro Bayo through the suspension. Therefore, stronger financial outcomes are due mostly to higher metal prices in the current quarter than in the third quarter of 2015. Mandalay ended the quarter with $74.6 million in cash and cash equivalents, up from $45.7 million at the beginning of the quarter, largely due to our recent equity financing (see Mandalay July 26, 2016, press release), coupled with a year-on-year increase in EBITDA.”

“Cerro Bayo saleable production during the quarter was 2,831 ounces gold and 388,139 ounces silver, significantly lower, as expected, than in the third quarter of 2015 (5,305 ounces gold and 632,498 ounces silver) due to the safety-related operational curtailment, combined with the ongoing slower transition to the new Coyita and Delia SE mines from plan. Unit mining and processing costs increased in the current quarter compared to the year-ago quarter due to the ongoing fixed costs incurred during the curtailment. The impact of this carried through to high cash and all-in costs per saleable ounce of silver produced.

“Cerro Bayo operations resumed in Delia NW and SE as well as the plant on September 19; mining resumed in Coyita on October 12. The resumption of activities has progressed well. However, the several week curtailment has delayed recovery of the developed state and follow-on production rate at Cerro Bayo from our previously expected targeted timeframe of the fourth quarter of 2016 into 2017.”

Dr. Sander continued, “During the third quarter of 2016, Costerfield continued its strong operational and financial performance, producing a total of 13,684 saleable ounces of gold equivalent, at cash cost of $755 per saleable ounce of gold equivalent and an all-in cost of $1,064 per ounce of saleable gold equivalent. Having completed the major capital items in the current life of mine plan at Costerfield, the operation now generates substantial free cash flow for the Company each quarter. We expect to be able to add additional mine life in the end-of-year reserves update, and have planned for renewed capital spending in 2017 to expand tailings capacity and restart capital development to support the additional mine life.”

Dr. Sander added, “Our grade control program at Björkdal continued to demonstrate success in the third quarter, during which we processed an average mill-reconciled grade of 1.35 grams per tonne gold, significantly higher than in the comparable prior year quarter (1.07 grams per tonne). As a result, the mine delivered gold production of 12,376 saleable ounces in the quarter vs 9,761 oz in 2015. Cash production cost declined to $897 per ounce gold, from $934 per gold ounce in response to the increased production. During the quarter, the Board approved the flotation expansion project in the plant, which will improve overall gold recovery when completed. Preparation of the detailed investment case for the implementation of ore sorting is well-advanced. Finally, we remain on track for completing the updated Björkdal Resources and Reserves estimation in early December.”

Third Quarter 2016 Financial Highlights

The following table summarizes the Company’s financial results for the three and nine months ended September 30, 2016 and 2015:

	Three months Ended September 30, 2016 $’000	Three months Ended September 30, 20 $’000
Revenue	48,544	43,282
Adjusted EBITDA*	13,797	11,485
Income from mine operations before depreciation and depletion	17,155	14,336
Adjusted net income before special items*	1,110	2,169
Consolidated net income	549	1,608
Cash capex	10,369	11,034
Total assets	384,875	349,399
Total liabilities	145,734	132,904
Adjusted net income/share*	0.00	0.01
Consol. net income/share	0.00	0.00

* Adjusted EBITDA, adjusted net income before special items and adjusted net income per share are non-IFRS measures. See “Non-IFRS Measures” at the end of this press release.

The increase in revenue and adjusted EBITDA during the third quarter of 2016 relative to the third quarter of 2015 were principally due to higher realized metal prices. (21.7% higher for gold, 43.3% higher for silver, and 16.8% higher for antimony). Compared to the third quarter of 2015, the weakening of US dollar against the operational country exchange rates negatively impacted the Company’s operating costs: the Australian dollar appreciated by 5% in the third quarter of 2016 versus the same quarter of prior year; the Chilean peso appreciated by 2%; and the Swedish krona depreciated slightly. Petroleum prices were higher by 2.7% in US dollar terms compared to last year.

During the third quarter of 2016, capital spending was approximately $0.7 million lower than in the same quarter of 2015. The main reason for this decrease was due to completion of the current life of mine capital program at Costerfield at the end of the third quarter of 2015.

During the three months ended September 30, 2016, the Company distributed a total of $3.3 million in dividends.

Updated Production, Cost and Capital Expenditure Guidance for Full Year 2016

Mandalay is revising its 2016 Costerfield gold and antimony production guidance upward and production cash cost downward to reflect the over-performance of the operation for the first three quarters of 2016, which is expected to continue for the balance of the year.

As well, Mandalay is revising its 2016 Cerro Bayo gold and silver production guidance downward and production cash costs upward as a result of the recent stoppages and production issues discussed above.

These offsetting revisions have an impact on revised guidance for Mandalay consolidated performance in 2016 as detailed in the table below:

		Total	Cerro Bayo	Costerfield	Björkdal	Challacollo
Saleable Ag produced	oz mill.	1.7-1.9	1.7-1.9			
Saleable Au produced	oz '000	104-110	13-15	41-43	50-52	
Saleable Sb produced	t '000	3.6-3.8		3.6-3.8		
Saleable Au Eq. produced*	oz ‘000	149-152				
Cash Cost per Au Eq. oz**	$/oz	845-865*	950-1050	610-650	850-870	
Capital expenditure***	USD mill.	33-38	15-17	3-4	14-16	1
Exploration	USD mill.	12-14	3	4-5	4-5	1

*assumes full-year 2017 prices: Au $1,258/oz, Ag $17.00/oz, Sb $6,505/t
**MND total cash cost per Au Eq. oz includes corporate overhead spending
***Cerro Bayo capital expenditure includes $4.0 million cash paid for purchase of Coeur royalty

Mandalay had originally offered the following production, cost, and capital expenditure guidance for 2016:

		Total	Cerro Bayo	Costerfield	Björkdal	Challacollo
Saleable Ag produced	oz mill.	2.9-3.3	2.9-3.3			
Saleable Au produced	oz '000	100-115	24-30	26-30	50-55	
Saleable Sb produced	t '000	3.0-3.5		3.0-3.5		
Saleable Au Eq. produced*	oz ‘000	165-180				
Cash Cost per Au Eq. oz**	$/oz	690-810	600-720	650-770	850-970	
Capital expenditure***	USD mill.	31-37	13-15	2-3	16-19	-
Exploration	USD mill.	7	2	2	3	-

*assumes Au $1,202/oz, Ag $16.87/oz, Sb $6,820/t
**MND total cash cost per Au Eq. oz includes corporate overhead spending
***Cerro Bayo capital expenditure excludes the purchase of the Coeur royalty

Overall, Mandalay expects to deliver its original annual guidance range for total gold production, exceed original guidance for antimony, and fall short of original guidance for silver. The net effect, including metal price changes since original guidance was published on November 5, 2015, is to reduce the original total saleable gold equivalent production guidance from 165,000-180,000 ounces to the current 149,000-152,000 ounces. Offsetting revisions in cash production cost downward at Costerfield and upward at Cerro Bayo result in a small revision upward in the full year Mandalay consolidated cash production cost guidance from $690-810 per gold equivalent ounce to $845-$865 per gold equivalent ounce. The Company expects to end the year having spent approximately the original amount of capital.

Due to exploration success at all sites during the first half of the year, the Company has doubled its exploration spending for the year compared to its original guidance.

Production, Cost and Capital Expenditure Guidance for 2017

Mandalay provides the following production, cost, and capital expenditure guidance for 2017.

		Total	Cerro Bayo	Costerfield	Björkdal	Challacollo

Saleable Ag produced	oz mill.	2.2-2.5	2.2-2.5			
Saleable Au produced	oz '000	104-121	22-28	30-35	52-58	
Saleable Sb produced	t '000	3.2 to 3.7		3.2 to 3.7		
Total Saleable Au Eq produced*	oz ‘000	155-175				
Cash Cost per Au Eq. oz*	$/oz	820-890	720-780	710-780	860-910	
Capital expenditure**	USD mill.	58-66	21-24	12-14	24-27	1
Exploration	USD mill.	7	2	3	2	

*assumes full-year 2016 prices: Au $1,258/oz, Ag $17.00/oz, Sb $6,505/t
**MND total cash cost per Au Eq. oz includes corporate overhead spending

Highlights of 2017 guidance relative to the revised 2016 guidance include:

- More saleable ounces of gold equivalent produced, based on greater production at Cerro Bayo (due to recovered developed state of the mine leading to increased ore grades) and Björkdal (due to ongoing grade control improvements) partially offset by lower production at Costerfield (due to expected declining grades).
- Lower consolidated cash production cost due to greater volume production from our largely fixed-cost operations.
- Of the total $56 to $65 million capital program in 2017, $28 million to $32 million is new project capital and the balance is sustaining capital at approximately the same rates as in 2016. New projects at Costerfield include a tailings dam lift, capital development of Cuffley Deeps to support mine life extension and infrastructure preparations required for mining at Brunswick, anticipated in 2018. New projects at Cerro Bayo included rehabilitation of access and mine development for the Marcela mine, with commercial production anticipated in 2018; a tailings dam lift (postponed out of 2016 by careful management) sufficient to hold currently anticipated life of mine tailings; and infrastructure installation as Coyita capital development extends across Laguna Verde. At Björkdal, new capital includes completion of the flotation capacity expansion approved in August; construction of the anticipated ore sorting capability; accelerated stripping to follow the new mine plan based on the updated reserve estimation planned for release to the public later this year; and expenditure on accelerated underground development metres to grow the supply of selectively mined high grade material to the plant.
- With significant exploration work conducted in 2016 from augmented exploration programs initiated mid-year, exploration is expected to decline modestly to levels of previous years, as per the 2017 guidance above.

Third Quarter 2016 Operational Highlights

The table below summarizes the Company’s capital expenditures and operational unit costs for the three and nine months ended September 30, 2016 and 2015.

	Three months ended September 30, 2016		Three months ended September 30, 20	
	$’000		$’000	
Cerro Bayo: Silver produced (oz)		388,139		632,498
Cerro Bayo: Gold produced (oz)		2,831		5,305
Cerro Bayo: Cash cost per oz silver produced net of gold byproduct credit	$	15.18	$	8.31
Cerro Bayo: Site all-in cost* per oz silver produced net of gold byproduct credit	$	25.70	$	15.18
Costerfield: Gold produced (oz)		9,102		10,930
Costerfield: Antimony produced (t)		844		964
Costerfield: Gold equivalent produced (oz)		13,684		16,835
Costerfield: Cash cost* per oz gold equivalent produced	$	755	$	553
Costerfield: Site all-in cost* per oz gold equivalent produced	$	1,064	$	763
Björkdal: Gold produced (oz)		12,376		9,761
Björkdal: Cash cost* per oz gold produced	$	897	$	934
Björkdal: Site all-in cost* per oz gold produced	$	1,135	$	1,185

Company gold equivalent produced (oz)		34,586		40,293
Company average cash cost* per oz gold equivalent	$	970	$	783
Company average all-in cost* per oz gold equivalent	$	1,266	$	1,032
Mine Capital development & prestrip		5,702		5,819
Capital purchases		1,563		3,356
Capital exploration		3,315		2,493

*Cash cost and all-in cost are non-IFRS measures See “Non-IFRS Measures” at the end of this press release.

Costerfield gold-antimony mine, Victoria, Australia

In the third quarter of 2016, Costerfield continued to mine and process high volumes of ore at low unit costs (38,407 tonnes mined at $177 per tonne and 35,981 tonnes processed at $41.50 per tonne). This strong performance led to production of 13,684 ounces gold equivalent) at the cash operating cost of $755 per ounce gold equivalent. Metal production was lower and cash cost per ounce gold equivalent higher than in the year-ago quarter due to lower ore grades in the current quarter. Spending on sustaining capital continued at a low rate, as major capital programs necessary for the current life of mine plan were completed in the third quarter of 2015.

Björkdal gold mine, Sweden

At Björkdal, the third full quarter of disciplined mining according to the Company’s underground on-vein grade control protocols continues successfully. For six of the total nine months of grade-controlled mining practiced so far, on-vein development grades have averaged over 1.5 grams per tonne. As a result, the average milled head grade of 1.35 grams per tonne gold in the third quarter of 2016 is significantly higher than the 1.07 grams per tonne of gold in the third quarter of 2015.

Average mining costs rose from $17.20 per tonne ore fed to the plant in the third quarter of 2015 to $25.04 per tonne in 2016. Mining cost per tonne increased in the underground mine as additional spending for grade control mapping, sampling and assaying and selective mining were incurred. This caused total mining costs to be spread over fewer tonnes due to low-grade on-vein development material being discarded in accordance with the Company’s grade improvement plan. Mining cost per tonne moved in the open pit was well controlled, while the increased stripping ratio led to higher cost per tonne of ore milled. Processing costs increased from $5.98 per tonne in the third quarter of 2015 to $6.42 per tonne for the corresponding quarter in 2016, while the plant recovery remained consistent at slightly over 88% of contained gold. Overall, cash cost per ounce of gold produced (dividing slightly higher costs by the higher production) declined slightly.

Cerro Bayo silver-gold mine, Patagonia, Chile

Third quarter results from Cerro Bayo were impacted by the fatality-related operating suspension. Lower production during the current quarter resulted in higher unit costs: mining costs increased to $61.76 per tonne from $46.06 per tonne in 2015 and processing costs increased to $24.53 per tonne from $19.12 per tonne in 2015. The net outcome was fewer ounces of silver produced at higher cash cost net of gold credits in the current quarter (388,139 ounces of silver at $15.18 per ounce) than in the third quarter of 2015 (632,498 ounces of silver at $8.31 per ounce). All-in cost per silver ounce net of gold credits was $25.70 in the third quarter of 2016, versus $15.18 in the corresponding quarter of 2015.

Challacollo, Chile

At the Challacollo silver-gold project in northern Chile, Mandalay is completing a diamond drilling program design to test geophysical anomalies identified earlier this year as well as base and precious metals containing veins identified in surface mapping and sampling.

La Quebrada and Lupin

The La Quebrada copper-silver project in central Chile and the Lupin gold mine in Nunavut, Canada, both currently held for sale, remained on care and maintenance through the period. On November 1, 2016, Mandalay signed a definitive agreement to sell Lupin to WPC Resources in a transaction expected to close in the fourth quarter of 2016.

On October 31, 2016, Mandalay entered into a definitive agreement with WPC Resources Inc. (TSXV: WPC) (“WPC”) pursuant to which WPC has agreed to purchase the Lupin gold mine and the Ulu gold project from Mandalay for consideration payable on closing consisting of (i) C$3 million cash, (ii) 15 million common shares of WPC and (iii) a $1.6M promissory note that is convertible at Mandalay’s election into common shares of WPC at a price of C$0.10 per share. In addition:

- WPC has agreed to make an aggregate cash payment to Mandalay based on the value of 10,000 ounces of refined gold, payable in 12 quarterly installments with each installment equal to the cash equivalent of 833 1/3 ounces of refined gold, based on the average gold price for each such quarter, beginning with the second quarter immediately following the full quarter after the commencement of commercial production; and
- beginning in the quarter after the completion of the payments described above, WPC will pay to Mandalay 1% net smelter returns royalty on gold production mined from the Lupin property.

The transaction, which is expected to be completed prior to December 31, 2016, is subject to the satisfaction or waiver of certain conditions, including WPC completing a private placement or other financing for gross proceeds of not less than C$5 million and the receipt of all necessary regulatory approvals, including the approval of the TSX Venture Exchange.

Conference Call

Mandalay’s management will be hosting a conference call for investors and analysts on November 3, 2016 at 8:00 am (Toronto time).

Analysts and interested investors are invited to participate using the following dial-in numbers:

Participant Number:	(201) 689-8341
Participant Number (Toll free):	(877) 407-8289
Conference ID:	13648323

A replay of the conference call will be available until 23:59 pm (Toronto time), November 18, 2016 and can be accessed using the following dial-in number:

Encore Toll Free Dial-in Number:	(877) 660-6853
Encore ID:	13648323

About Mandalay Resources Corporation:

Mandalay Resources is a Canadian-based natural resource company with producing assets in Australia, Chile and Sweden, and a development project in Chile. The Company is focused on executing a roll-up strategy, creating critical mass by aggregating advanced or in-production gold, copper, silver and antimony projects in Australia, the Americas, and Europe to generate near-term cash flow and shareholder value.

Forward-Looking Statements

This news release contains "forward-looking statements" within the meaning of applicable securities laws, including guidance as to anticipated gold, silver, and antimony production and production costs in the future. Readers are cautioned not to place undue reliance on forward-looking statements. Actual results and developments may differ materially from those contemplated by these statements depending on, among other things, changes in commodity prices and general market and economic conditions. The factors identified above are not intended to represent a complete list of the factors that could affect Mandalay. A *description of additional risks that could result in actual results and developments differing from those contemplated by forward-looking statements in this news release can be found under the heading “Risk Factors” in Mandalay’s annual information form dated March 30, 2016 a copy of which is available under Mandalay’s profile at www.sedar.com. Although Mandalay 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, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.*

Non-IFRS Measures

This news release may contain references to adjusted EBITDA, adjusted net income, cash cost per saleable ounce of gold equivalent produced, cash cost per saleable ounce of silver produced net of gold credits, site all-in cost per saleable ounce of gold equivalent produced, site all-in cost per saleable ounce of silver produced net of gold credits, all-in costs and cash capex, all of which are non-IFRS measures and do not have standardized meanings under IFRS. Therefore, these measures may not be comparable to similar measures presented by other issuers.

Management uses adjusted EBITDA as a measure of operating performance to assist in assessing the Company’s ability to generate liquidity through operating cash flow to fund future working capital needs and to fund future capital expenditures, as well as to assist in comparing financial performance from period to period on a consistent basis. Management uses adjusted net income in order to facilitate an understanding of the Company’s financial performance prior to the impact of non-recurring or special items. The Company believes that these measures are used by and are useful to investors and other users of the Company’s financial statements in evaluating the Company’s operating and cash performance because they allow for analysis of our financial results without regard to special, non-cash and other non-core items, which can vary substantially from company to company and over different periods.

The Company defines adjusted EBITDA as earnings before interest, taxes, non-cash charges and finance costs. For a detailed reconciliation of net income to adjusted EBITDA, please refer to management’s discussion and analysis of the Company’s financial statements for the third quarter of 2016.

The Company defines cash capex as cash spent on mining interests, property, plant and equipment, and exploration as set out in the cash flow statement of the financial statements.

For Costerfield, saleable equivalent gold ounces produced is calculated by adding to saleable gold ounces produced, the saleable antimony tonnes produced times the average antimony price in the period divided by the average gold price in the period. The total cash operating cost associated with the production of these saleable equivalent ounces produced in the period is then divided by the saleable equivalent gold ounces produced to yield the cash cost per saleable equivalent ounce produced. The cash cost excludes royalty expenses. Site all-in costs include total cash operating costs, royalty expense, accretion, depletion, depreciation and amortization. The site all-in cost is then divided by the saleable equivalent gold ounces produced to yield the site all-in cost per saleable equivalent ounce produced.

For Cerro Bayo, the cash cost per saleable silver ounce produced net of gold byproduct credit is calculated by deducting the gold credit (which equals saleable ounces gold produced times the realized gold price in the period) from the cash operating costs in the period and dividing the resultant number by the saleable silver ounces produced in the period. The cash cost excludes royalty expenses. The site all-in cost per saleable silver ounce produced net of gold byproduct credit is calculated by adding royalty expenses, accretion, depletion, depreciation, and amortization to the cash cost net of gold byproduct credit, dividing the resultant number by the saleable silver ounces produced in the period.

For Björkdal, the total cash operating cost associated with the production of saleable gold ounces produced in the period is then divided by the saleable gold ounces produced to yield the cash cost per saleable gold ounce produced. The cash cost excludes royalty expenses. Site all-in costs include total cash operating costs, royalty expense, accretion, depletion, depreciation and amortization. The site all-in cost is then divided by the saleable gold ounces produced to yield the site all-in cost per saleable gold ounce produced

For the Company as a whole, cash cost per saleable gold equivalent ounce is calculated by summing the gold equivalent ounces produced by each site and dividing the total by the sum of cash operating costs at the sites plus corporate overhead spending.

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