

Capstone Mining Third Quarter 2017 Financial Results

26.10.2017 | [CNW](#)

(All amounts in US\$ unless otherwise specified)

VANCOUVER, Oct. 26, 2017 /CNW/ - [Capstone Mining Corp.](#) ("Capstone" or the "Company") (TSX: CS) today announced financial results for the three and nine months ended September 30, 2017. Cash flow from operating activities before change in working capital for the quarter was \$41.4 million or \$0.11 per share. Net income for the quarter was \$20.2 million or \$0.06 per share with an adjusted net loss of \$11.4 million or \$0.03 per share after adjusting for certain non-cash and non-recurring items. Copper production for the quarter totalled 22,026 tonnes (21,261 tonnes of payable copper) at a C1 cash cost¹ of \$2.00 per payable pound produced with copper sales for the quarter of 22,988 tonnes at a C1 cash cost¹ of \$2.02 per payable po

"In the third quarter of 2017 we generated \$41 million of operating cash flow," said Darren Pylot, President and CEO of Capstone Mining. "Subsequent to quarter end, we continued our debt reduction program and repaid \$14 million, bringing our total debt to over \$40 million."

"As we approach 2018, we regain full exposure to the copper price, with our entire hedge program concluding in December," continued Mr. Pylot.

Overview

	Q3 2017	Q3 2016	2017 YTD	2016 YTD
Revenue (\$ millions)	145.9	139.9	389.1	366.4
Copper produced (tonnes)	22,026	32,027	66,978	84,730
Payable copper produced (tonnes)	21,261	30,939	64,668	81,836
C1 cash cost per payable pound produced ¹ (\$/lb)	2.00	1.32	1.90	1.50
All-in cost per payable pound produced ¹ (\$/lb)	2.62	1.65	2.44	1.91
Fully-loaded all-in cost per payable pound produced ¹ (\$/lb)	3.03	1.75	2.68	2.02
Copper sold (tonnes)	22,988	30,359	65,341	80,893
Realized copper price per pound sold (\$/lb)*	2.99	2.18	2.76	2.19
Adjusted realized copper price per pound sold (\$/lb) **	2.76	2.21	2.54	2.26
C1 cash cost per payable pound sold ¹ (\$/lb)	2.02	1.49	1.82	1.63
All-in cost per payable pound sold ¹ (\$/lb)	2.59	1.82	2.35	2.05
Fully-loaded all-in cost per payable pound sold ¹ (\$/lb)	2.97	1.93	2.59	2.16
Net income (loss) (\$ millions)	20.2	11.2	25.6	(15.0)
Net income (loss) attributable to Capstone shareholders (\$ millions)	20.3	11.3	25.6	(14.7)
Net income (loss) attributable to shareholders per common share (\$)	0.05	0.03	0.07	(0.04)
Adjusted net income (loss) ¹ (\$ millions)	(11.4)	7.8	(13.1)	(1.2)
Adjusted net income (loss) attributable to Capstone shareholders ¹ (\$ millions)	(0.1)	7.9	(0.1)	(0.8)
Adjusted net income (loss) attributable to shareholders per common share ¹ (\$)	(0.03)	0.02	(0.03)	(0.00)
Cash flow from operating activities (\$ millions)	41.7	41.1	67.7	74.4
Cash flow from operating activities per common share ¹ (\$)	0.11	0.11	0.18	0.19
Operating cash flow before changes in working capital ¹ (\$ millions)	41.4	41.5	91.6	81.9
Operating cash flow before changes in working capital per common share ¹ (\$)	0.11	0.11	0.24	0.21
Cash and cash equivalents (\$ millions)	114.2	120.4	114.2	120.4
Net debt ¹ (\$ millions)	184.7	224.2	184.7	224.2

* Q3 2017 includes a provisional pricing adjustment of (\$2.1) million (2016 – (\$1.4) million) related to prior shipments, equivalent to (\$0.04) per pound (2016 – \$(0.02) per pound) of copper sold during the quarter. 2017 YTD includes a provisional pricing adjustment of \$3.2 million (2016 – \$(12.9) million) related to prior shipments, equivalent to \$0.02 per pound (2016 – \$(0.07) per pound) of copper sold during the nine month period. The Q3 2017 figure of (\$2.1) million is broken down as \$2.0 million related to price adjustments and (\$4.1) million related to assay adjustments. This translates into adjustments of \$0.04 and (\$0.08) respectively on a per pound sold basis. The 2017 YTD figure of \$3.2 million is broken down as \$5.6 million related to price adjustments and (\$2.4) million related to assay adjustments. This translates into adjustments of \$0.04 and (\$0.02) respectively on a per pound sold basis. The Q3 2016 and 2016 YTD provisional pricing adjustments were predominantly related to assay adjustments.** Q3 2017 adjusted realized copper price includes the provisional pricing adjustments noted above and a realized loss of \$11.5 million (2016 gain – \$2.0 million) equivalent to \$(0.23) per pound (2016 gain - \$0.03 per pound) related to copper derivative contracts exercised during the quarter. 2017 YTD adjusted realized copper price includes the provisional pricing adjustments noted above and a realized loss of \$30.9 million (2016 gain – \$2.2 million) equivalent to \$(0.21) per pound (2016 gain – \$0.06 per pound) related to copper derivative contracts exercised during the period.

Financial Highlights for the Three Months Ended September 30, 2017

- Net income of \$20.2 million or \$0.05 per common share included:
 - Earnings from mining operations of \$29.9 million,
 - Realized copper price of \$2.99 per pound
 - A non-cash impairment reversal of \$20.6 million related to the Minto mine,
 - A non-cash gain on the sale of marketable securities of \$13.6 million
 - A commodity derivative loss of \$10.6 million, comprising a realized loss of \$11.5 million combined with an unrealized gain of \$0.9 million and reversals of unrealized losses recorded in a previous period of \$3.8 million,
 - Production costs included a non-cash write-down of \$1.6 million of inventory at Minto,
 - An income tax expense of \$16.0 million.
- Cash flow from operating activities of \$41.7 million or \$0.11 per common share.
- Operating cash flow before changes in working capital¹ of \$41.4 million or \$0.11 per common share.
- Working capital increased \$21.2 million to \$178.2 million at September 30, 2017 from \$157.0 million at June 30, 2017, largely as a result of dispositions of marketable securities and investments in marketable securities.
- Production of 21,261 tonnes of payable copper at a C1 cash cost¹ of \$2.00 per pound of payable copper produced and a fully-loaded all-in cost¹ of \$3.03 per pound of payable pound copper produced.
- Revenue of \$145.9 million generated primarily from the sale of 22,988 tonnes of copper.

Financial Highlights for the Nine Months Ended September 30, 2017

- Net income of \$25.6 million or \$0.07 per common share which included:
 - Earnings from mining operations of \$78.0 million,
 - A non-cash impairment reversal of \$20.6 million related to the Minto mine,
 - A non-cash gain on the sale of marketable securities of \$13.6 million,
 - Production costs included a non-cash charge of \$0.5 million related to the write-down of \$1.6 million of inventory at Minto and the reversal of an inventory write down of \$1.1 million at Pinto Valley,
 - A commodity derivative loss of \$20.7 million, comprising a realized loss of \$30.9 million, an unrealized loss of \$10.8 million and reversals of unrealized losses recorded in a previous period of \$18.4 million.
 - \$24.4 million in current and deferred income tax expense.
- Cash flow from operating activities of \$67.7 million or \$0.18 per common share.
- Operating cash flow before changes in working capital¹ of \$91.6 million or \$0.24 per common share.
- Working capital increased \$7.1 million to \$178.2 million at September 30, 2017 from \$171.1 million at December 31, 2016, largely as a result of cash proceeds of \$17.2 million on the sale of marketable securities and a \$30.0 million in debt repayments and \$33.4 million in payments made related to the commodity derivatives during the period, partially offset by cash proceeds of \$17.2 million on the sale of marketable securities.
- Production of 64,668 tonnes of payable copper at a C1 cash cost¹ of \$1.90 per pound of payable copper produced and a fully-loaded all-in cost¹ of \$2.68 per pound of payable pound copper produced.
- Revenue of \$389.1 million generated primarily from the sale of 65,341 tonnes of copper.

Production and Additional Highlights for the Three and Nine Months Ended September 30, 2017

Pinto Valley Mine:

- Produced 14,381 tonnes of copper during Q3 2017 at a C1 cash cost¹ of \$2.06 per pound of payable copper produced and an all-in cost¹ of \$2.37 per pound of payable copper produced.
- Produced 41,171 tonnes of copper during 2017 YTD at a C1 cash cost¹ of \$2.01 per pound of payable copper produced and an all-in cost¹ of \$2.40 per pound of payable copper produced.
- At Pinto Valley, production was below expectations during Q3 2017 due to mill disruptions. As a result, C1 cash cost¹ and all-in cost¹ per payable pound of copper produced for Q2 2017 were higher than planned. Additionally, focus in the quarter shifted from throughput maximization to overall mill optimization.

Cozamin Mine:

- Produced 4,242 tonnes of copper during Q3 2017 at a C1 cash cost¹ of \$1.10 per pound of payable copper produced and an all-in cost¹ of \$1.86 per pound of payable copper produced.
- Produced 12,478 tonnes of copper during 2017 YTD at a C1 cash cost¹ of \$1.21 per pound of payable copper produced and an all-in cost¹ of \$1.84 per pound of payable copper produced.
- Copper production at Cozamin exceeded expectations, driven primarily by higher throughput. Mine development advanced ahead of schedule, increasing production flexibility at the operation.
- During Q3 2017, Capstone entered into an agreement with [Endeavour Silver Corp.](#) ("Endeavour Silver") which allows the two companies to exchange access to certain of each other's mining concessions that abut at the southern boundary of Capstone's Cozamin mine property and for the sharing of information on the various concessions covered by the agreement.
- Drill results released during the quarter indicated the continuation of the Mala Noche Footwall Zone ("MNFWZ") at the southeast. Copper grades in excess of 4% were encountered in a 580 metre step-out hole to the southeast from the current MNFWZ Indicated Mineral Resource immediately adjacent to the Endeavour Silver's claims over larger average widths than typical of the MNFWZ. Cozamin's 2017 exploration budget has been increased by a total of \$1.5 million to accelerate testing of the MNFWZ on both sides of the Capstone/Endeavour Silver boundary.

Minto Mine:

- Produced 3,403 tonnes of copper during Q3 2017 at a C1 cash cost¹ of \$2.87 per pound of payable copper produced and an all-in cost¹ of \$3.01 per payable pound of copper produced.
- Produced 13,328 tonnes of copper during 2017 YTD at a C1 cash cost¹ of \$2.22 per pound of payable copper produced and an all-in cost¹ of \$2.28 per payable pound of copper produced.
- At Minto, production for the quarter was impacted by mine sequencing changes to support the mine life extension. Underground mining was disrupted to upgrade the emergency response capacity in the current stoping areas while development to the Minto East deposit continued. Partially oxidized ore from the Area 2, Stage 3 open pit and low grade stockpiles supplemented the mill feed during the quarter to offset the resulting underground ore shortfall, causing lower recoveries than originally planned. The shortfall in production resulted in higher unit costs during Q3 2017 than planned and as a result a \$1.6 million impairment was recorded against the carrying value of Minto's concentrate during Q3 2017. \$7.2 million of underground ramp development costs in 2017 YTD were expensed because they were incurred before the mine life extension decision was made. This equates to an increase to Minto's C1 cash costs¹ per payable pound produced YTD. In addition, because it is expected to take less than 12 months to mine the planned deposits in 2017, all stripping costs in 2017 are being expensed and not capitalized, also impacting C1 cash costs¹.
- Based on improved copper prices and updates to Minto's mine plan, Management has made the decision to bring previously written off resources into the mine plan. This will extend the life of the mine and increase its value. As a result, an impairment reversal of \$20.6 million was recorded during Q3 2017. Key assumptions included copper price assumptions ranging from \$2.93/lb. - \$3/lb. (\$3/lb. long term) and an 8% discount rate.

Additional highlights:

- Subsequent to period end, Capstone repaid \$14.0 million on the senior secured corporate revolving credit facility reducing drawn debt to \$284.9 million as at October 18, 2017.

Outlook

Production Guidance:

Capstone expects to reach the low end of the range of 2017 consolidated production guidance of 94,000 tonnes (±5%) of copper.

Operating Cost Guidance:

There was no change to the cost guidance at Pinto Valley and Cozamin during the third quarter.

At Minto, 2017 production is expected to be lower and costs higher than guided due to mine sequencing

changes to support a mine life extension to 2021 and delays in reaching underground ore. Additional stripping costs and underground development costs are being incurred to bring additional deposits into the mine plan.

Primarily as a result of higher C1 cash costs¹ and all-in costs¹ at Minto, and also increased share-based compensation expenses resulting from improvements in the Company's share price in 2017 and lower production expected at Pinto Valley, consolidated C1 cash costs¹, all-in costs¹ and fully-loaded all-in costs are expected to be higher than previously guided.

	Pinto Valley ⁵	Cozamin ⁵	Minto	Total
Current 2017 guidance				
C1 cash cost (\$/lb) ^{1,2}	\$1.95 - \$2.05	\$1.10 - \$1.20	\$2.45 - \$2.55	\$1.90 - \$2.00
All-in cost (\$/lb) ^{1,3}	\$2.30 - \$2.40	\$1.90 - \$2.00	\$2.60 - \$2.70	\$2.45 - \$2.55
Fully-loaded all-in cost (\$/lb) ^{1,4}				\$2.50 - \$2.60

¹ These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measure and Reconciliations".

² Per pound of payable copper produced, net of by-product credits and treatment and selling costs.

³ All-in cost is equal to C1 cash cost plus NSR and production royalties, non-cash deferred revenue, all sustaining capital expenditures (including exploration and cash portion of production-phase capitalized stripping), accretion of reclamation obligations, amortization of reclamation assets, corporate G&A, share-based compensation, greenfield exploration, cash portion of pre-production capitalized deferred stripping, PV3 development and care and maintenance costs.

⁴ Fully-loaded all-in cost is equal to All-in cost plus interest expense and taxes.

⁵ No changes to Pinto Valley and Cozamin cost guidance during Q3 2017.

2017 Capital and Exploration Guidance

There were no changes to 2017 exploration cost guidance during the third quarter.

At Minto, an additional \$3.0 million of capital will be incurred primarily in relation to underground infrastructure required as part of the mine life extension, increasing Minto's total capital guidance for 2017 to \$3.6 million.

Conference Call and Webcast Details

Capstone will hold a conference call and webcast on Friday, October 27, 2017 at 10:00 a.m. Eastern time (7:00 a.m. Pacific time) to discuss these results.

Date: Friday, October 27, 2017

Time: 10:00 am Eastern Time (7:00 am Pacific Time)

Dial in: North America: 1-888-390-0546, International: +416-764-8688

Webcast: <http://event.on24.com/r.htm?e=1521082&s=1&k=489A38C7B3561FDCCA3C27399CAE40D9>

Replay: North America: 1-888-390-0541, International: +416-764-8677

Replay Passcode: 218958#

The conference call replay will be available until Friday, November 3, 2017. The conference call audio and transcript will be available on Capstone's website within 48 hours of the call at <http://capstonemining.com/investors/events-and-presentations/default.aspx>.

This release should be read in conjunction with Capstone's consolidated financial statements and management's discussion and analysis ("MD&A") for the quarter ended September 30, 2017, which are available on Capstone's website at <http://capstonemining.com/investors/financial-reporting/default.aspx> and on SEDAR. An updated corporate presentation, including results to September 30, 2017, in addition to the Q3 2017 webcast slides, will also be available at <http://capstonemining.com/investors/events-and-presentations/default.aspx>.

About Capstone Mining Corp.

[Capstone Mining Corp.](#) is a Canadian base metals mining company, focused on copper. We are committed to the responsible development of our assets and the environments in which we operate. Our three producing mines are the Pinto Valley copper mine located in Arizona, US, the Cozamin polymetallic mine in Zacatecas State, Mexico and the Minto copper mine in Yukon, Canada. In addition, Capstone has two development projects; the large scale 70% owned copper-iron Santo Domingo project in Region III, Chile, in partnership with Korea Resources Corporation, and the 100% owned Kutcho copper-zinc project in British Columbia, Canada, as well as exploration properties in Chile and US. Capstone's strategy is to focus on the optimization of operations and assets in politically stable, mining-friendly regions, centred in the Americas. Our headquarters are in Vancouver, Canada and we are listed on the Toronto Stock Exchange (TSX). Further information is available at www.capstonemining.com.

Cautionary Note Regarding Forward-Looking Information

This document may contain "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 (collectively, "forward-looking statements"). These forward-looking statements are made as of the date of this document and Capstone does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation.

Forward-looking statements relate to future events or future performance and reflect our expectations or beliefs regarding future events. Forward-looking statements include, but are not limited to, statements with respect to the estimation of mineral resources and mineral reserves, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production and capital expenditures, the success of our mining operations, environmental risks, unanticipated reclamation expenses and title disputes. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "believes" or variations of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document certain forward-looking statements are identified by words including "guidance", "outlook", "planned", "expects" and "expected". By their very nature, forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, amongst others, risks related to inherent hazards associated with mining operations, future prices of copper and other metals, compliance with financial covenants, surety bonding, our ability to raise capital, Capstone's ability to acquire properties for growth, counterparty risks associated with sales of our metals, use of financial derivative instruments and associated counterparty risks, foreign currency exchange rate fluctuations, changes in general economic conditions, accuracy of mineral resource and mineral reserve estimates, operating in foreign jurisdictions with risk of changes to governmental regulation, compliance with governmental regulations, compliance with environmental laws and regulations, reliance on approvals, licences and permits from governmental authorities, impact of climatic conditions on our Pinto Valley, Cozamin and Minto operations, aboriginal title claims and rights to consultation and accommodation, land reclamation and mine closure obligations, uncertainties and risks related to the potential development of the Santo Domingo Project, increased operating and capital costs, challenges to title to our mineral properties, maintaining ongoing social license to operate, dependence on key management personnel, potential conflicts of interest involving our directors and officers, corruption and bribery, limitations inherent in our insurance coverage, labour relations, increasing energy prices, competition in the mining industry, risks associated with joint venture partners, our ability to integrate new acquisitions into our operations,

cybersecurity threats, legal proceedings and other risks of the mining industry as well as those factors detailed from time to time in the Company's interim and annual financial statements and management's discussion and analysis of those statements, all of which are filed and available for review under the Company's profile on SEDAR at www.sedar.com. Although the Company has attempted to identify important factors that could cause our actual results, performance or achievements to differ materially from those described in our forward-looking statements, there may be other factors that cause our results, performance or achievements not to be as anticipated, estimated or intended. There can be no assurance that our forward-looking statements will prove to be accurate, as our actual results, performance or achievements could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on our forward-looking statements.

National Instrument 43-101 Compliance

Unless otherwise indicated, Capstone has prepared the technical information in this news release ("Technical Information") based on information contained in the technical reports, news releases and MD&A's (collectively the "Disclosure Documents") available under [Capstone Mining Corp.](#)'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 Administrators ("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.

The technical information in this news release ("Technical Information") 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 Administrators ("NI 43-101"). The disclosure of the Technical Information contained in this news release has been reviewed and approved by Gregg Bush, P. Eng., Senior Vice President and Chief Operating Officer. Technical Information related to mineral exploration activities has been reviewed and approved by Brad Mercer, P. Geol., Senior Vice President, Exploration. Both are Qualified Persons under NI 43-101.

Alternative Performance Measures

The items marked with a "1" are alternative performance measures and readers should refer to Alternative Performance Measures in the Company's Consolidated Management's Discussion and Analysis for the quarter ended September 30, 2017 as filed on SEDAR and as available on the Company's website.

Contact

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Cautionary Note to United States Investors
This news release contains disclosure that has been prepared in accordance with the requirements of Canadian securities laws, which differ from the requirements of US securities laws. Without limiting the foregoing, this news release may refer to technical reports that use the terms "indicated" and "inferred" resources. US investors are cautioned that, while such terms are recognized and required by Canadian securities laws, the SEC does not recognize them. Under US standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. US investors are cautioned not to assume that all or any part of indicated resources will ever be converted into reserves. US investors should also understand that "inferred resources" have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. It cannot be assumed that all or any part of "inferred resources" will ever be upgraded to a higher category. Therefore, US investors are also cautioned not to assume that all or any part of inferred resources exist or that they can be mined legally or economically. Accordingly, information concerning descriptions of mineralization and resources contained in this news release may not be comparable to information made public by US companies subject to the reporting and disclosure requirements of the SEC.

1. This is an alternative performance measure; please see "Alternative Performance Measures" at the end of this release.

SOURCE [Capstone Mining Corp.](#)