Mandalay Resources Corporation Announces Third Quarter Financial Results for 2017

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TORONTO, Nov. 08, 2017 (GLOBE NEWSWIRE) -- Mandalay Resources Corp. ("Mandalay" or the "Company") (TSX:MND) today announced revenue of $35.4 million, adjusted EBITDA of $10.7 million and consolidated net loss of $7.2 million, or $0.02 loss per share, for the third quarter of 2017.

The Company’s condensed and consolidated interim financial results for the quarter ended September 30, 2017, 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.

Commenting on the quarterly results, Dr. Mark Sander, President and CEO of Mandalay, noted, “Björkdal continues to emerge as a long-lived anchor operation for Mandalay. For the last two quarters, the mine has produced at an annualized rate of approximately 60,000 ounces of gold at an average cash cost of $845/oz owing to the combined impacts of our grade control and mine debottlenecking programs. We are pleased that the grade control program continues to function well and that the debottlenecking actions we took in the open pit and underground mines at the end of the first quarter continue to perform as planned. We expect this strong performance from Björkdal to continue for the rest of the year as these programs strengthen with experience, and we expect to deliver a Mineral Resources and Reserves update by the end of 2017.”

Dr. Sander continued, “Costerfield delivered dependable performance in the third quarter of 2017, producing 12,586 gold equivalent ounces at a sound cash cost of $736 per ounce and all-in cost of $1,068 per ounce. We expect performance at these levels to continue for the balance of the year. As well, we passed a major milestone at Costerfield with commitment of capital to develop the Brunswick lode. This project will extend the reserve life of the operation by approximately a year; the impacts on Mineral Resources and Reserves will be announced in a Mineral Resources and Reserves update in the first quarter of next year.”

“Mandalay’s financial performance in the third quarter of 2017 was negatively affected by the operating suspension at Cerro Bayo in response to the June 9, 2017 flooding of the Delia NW mine. Operations at Cerro Bayo remain suspended and under force majeure; as a consequence, there was no production at Cerro Bayo during the quarter. On September 29, 2017, the mine was moved to care and maintenance in order to conserve cash pending completion of the investigation of the root cause of the flooding and the risk assessment of restarting mining in the vicinity of Laguna Verde (both expected to be completed in the fourth quarter of 2017) as well as the granting of all permits needed to execute the Life of Mine plan. We expect ongoing care and maintenance costs to decline to a rate of approximately $1.5 million per quarter going forward.”

Dr. Sander concluded, “With our two operating mines performing well in the third quarter, we are maintaining our revised guidance for the full year 2017 of 114,000-128,000 ounces of gold equivalent at average cash cost of $925-$975 per ounce, as stated in our press release on August 10, 2017. We expect to issue production and cost guidance for 2018 with our full-year production and sales report in mid-January, 2018. Considering the $40 million revolving credit facility announced in July, 2017, Mandalay’s balance sheet is strong and the Company is well-funded to maintain its capital investment program in its existing mines, maintain working capital, and execute its strategy.”

Third Quarter 2017 Financial Highlights

The following table summarizes the Company’s financial results for the three and nine months ended

September 30, 2017 and 2016:

	Three months Ended September 30, 2017	Three months Ended September 30, 2016	Nine months Ended September 30, 2017	Nine mo Ended Septemb 2016
	$’000	$’000	$’000	$’000
Revenue	35,407	48,544	124,904	153,1
Cost of Sales	22,403	31,389	84,421	92,74
Adjusted EBITDA*	10,650	13,797	34,192	53,18
Income from mine operations before depreciation and depletion	13,004	17,155	40,483	60,41
Adjusted net (loss) income before special items*	(1,673)	1,110	(10,954)	7,239
Consolidated net (loss) income	(7,181)	549	(19,634)	5,309
Cash capex	9,890	10,369	34,980	34,89
Total assets	331,241	384,875	331,241	384,8
Total liabilities	141,859	145,734	141,859	145,7
Adjusted net (loss) income per share*	$ (0.00)	$ 0.00	$ (0.02)	$ 0.02
Consolidated net (loss) income per share	$ (0.02)	$ 0.00	$ (0.04)	$ 0.01

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

During the third quarter of 2017, Mandalay sold 23% fewer ounces of gold equivalent versus the third quarter of 2016. At the same time, average antimony prices rose 14% quarter-over-quarter, while average gold and silver prices decreased by 4% and 14% respectively. The net effect is that Mandalay’s revenue of $35.4 million in the third quarter of 2017 was $13.1 million lower than in the third quarter of 2016.

Total cost of sales across the Company was lower in the third quarter of 2017 than in the third quarter of 2016. Other than the $8.3 million decline due to nil production at Cerro Bayo, cost of sales decreased at Costerfield (by $0.5 million) and Björkdal (by $0.2 million). Consolidated administrative costs decreased by $1.0 million.

Mandalay generated $10.7 million in adjusted EBITDA in the current quarter, $1.4 million lower than in the previous quarter, and $3.1 million lower than the third quarter of 2016. This led to a consolidated net loss of $7.2 million in the third quarter of 2017 versus a loss of $10.1 million in the second quarter of 2017, which was impacted by the expenses of search efforts related to the flooding incident at Cerro Bayo and accrual of estimated future costs stemming from the event.

Mandalay ended the third quarter of 2017 with $24.8 million in cash and cash equivalents; $15 million has been drawn on the revolving credit facility.

Third Quarter Operational Highlights

The table below summarizes the Company’s capital expenditures and operational unit costs for the three and nine months ended September 30, 2017 and 2016:

		Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
		$’000	$’000	$’000	$’000
Costerfield					
	Gold produced (oz)	7,370	9,102	24,290	33,787
	Antimony produced (t)	804	844	2,310	2,806
	Gold equivalent produced (oz)	12,586	13,684	39,777	47,673

	Cash cost* per oz gold equivalent produced	$ 736	$ 755	$ 699	$ 588
	All-in cost* per oz gold equivalent produced	$ 1,068	$ 1,064	$ 1,019	$ 845
	Underground capital devel. & open pit prestrip	9	Nil	1,884	Nil
	Capital purchases	1,065	779	3,545	2,374
	Capital exploration	847	1,429	3,233	3,541
Cerro Bayo					
	Silver produced (oz)	-	388,139	794,533	1,365,817
	Gold produced (oz)	-	2,831	5,909	10,985
	Cash cost* per oz silver net byproduct credit	-	$ 15.18	$ 13.50	$ 10.95
	All-in cost* per oz silver net byproduct credit	-	$ 25.70	$ 25.22	$ 20.08
	Underground capital devel. & open pit prestrip	340	2,342	5,971	6,245
	Capital purchases	121	574	1,475	3,032
	Capital exploration	125	972	872	2,278
Björkdal					
	Gold produced (oz)	13,233	12,376	39,993	37,210
	Cash cost* per oz gold produced	$ 871	$ 897	$ 926	$ 896
	All-in cost* per oz gold produced	$ 1,199	$ 1,135	1,213	1,138
	Underground capital devel. & open pit prestrip	4,018	2,564	5,860	7,468
	Capital purchases	2,684	174	3,050	2,917
	Capital exploration	561	1,530	1,082	3,032
Consolidated					
	Gold equivalent produced (oz)	25,819	34,586	96,791	114,204
	Average cash cost* per oz gold equivalent	$ 907	$ 970	$ 912	$ 843
	Average all-in cost* per oz gold equivalent	$ 1,301	$ 1,266	$ 1,258	$ 1,135
	Underground capital devel. & open pit prestrip	4,916	4,978	19,155	17,292
	Capital purchases	3,887	1,563	10,812	8,519
	Capital exploration	1,086	3,828	5,013	9,087

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

Björkdal gold mine, Sweden

Björkdal delivered its second-best production quarter since being acquired by Mandalay, trailing only the second quarter of 2017. The mine continued to deliver both high rates of stoping, which generates the highest-grade ore, and high rates of open pit production. As a result, both mine produced and mill head grade has averaged approximately 1.5 g/t for the year to date, much higher than the previous year. Key operational milestones include commissioning the flotation plant on time and budget. While recoveries were slightly depressed during the commissioning period, the plant is now operating in steady state, with recovery improvements matching or exceeding the expected 1.7%. Meanwhile, land acquisition and permitting for the tailings expansion project proceeds on track. Exploration is winding up for the year, and the Company expects to deliver its updated Mineral Resources and Reserves estimate by the end of the year.

Costerfield gold-antimony mine, Victoria, Australia

Costerfield continued its dependable performance, in which well-controlled costs and a consistently full plant deliver production directly related to the grade of mill feed in the period, and cash costs per ounce that are inversely related. Costerfield’s production of 12,586 ounces gold equivalent in the third quarter of 2017 was less than in the second quarter of 2017 due to lower grades. Lower production in the third quarter of 2017 compared to the third quarter of 2016 was expected, as a year ago Mandalay was mining in the heart of the highest-grade portion of the Cuffley lode and currently is mining lower-grade parts of the deposit. After the end of the third quarter, Mandalay committed to develop the Brunswick lode, which is expected to result in reserve additions and an extended mine life for the operation. Details will be released in the next Mineral Resources and Reserves update for the mine, expected in February, 2018.

Cerro Bayo silver-gold mine, Patagonia, Chile

No production occurred at Cerro Bayo in the third quarter. The mine reached agreement with the two unions with which it was in negotiations when the production suspension occurred, and after the required one month waiting period, a reduction in workforce from approximately 400 to approximately 100 employees occurred at the end of the quarter in order to conserve Company cash for a potential restart. Any restart will be contingent on the Company being confident that flooding will not recur in the mines around Laguna Verde and the receipt of all permits necessary to complete the Life of Mine plan. The investigation of the event and risk assessment for resumption of mining around the lake is nearing completion. The Company is engaged with Chilean regulators to submit high-quality applications based on this work, respond to questions with timely, high-quality answers and achieve rapid permitting outcomes.

Challacollo, Chile

Mandalay completed its water exploration program at Challacollo in the second quarter of 2017, finding significant supply of groundwater in four of four holes. The Company has applied for the surface rights to construct a permanent water production well in a process that is expected to take several months.

La Quebrada

The La Quebrada copper-silver project in central Chile remained on care and maintenance throughout the period. Spending on care and maintenance at La Quebrada was less than $0.1 million during the third quarter of 2017.

Lupin and Ulu

The Lupin and Ulu gold projects in Nunavut, Canada were acquired with the Elgin acquisition and are currently held for sale as non-core assets. On October 31, 2016, the Company entered into a definitive agreement for sale of both projects to WPC Resources Inc. (“WPC”), but the transaction was not completed due to a C$9.1 million increase in reclamation bonding requirements for the Lupin project that was imposed shortly before the planned closing date. Subsequently, and due to the bonding requirements, the Company and WPC entered into two separate non-binding Letters of Intent regarding WPC’s potential acquisition of the two projects on terms that are substantially similar, in the aggregate, to those contemplated by the prior definitive agreement.

Conference Call

Mandalay’s management will be hosting a conference call for investors and analysts on November 9, 2017 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:	13672556

A replay of the conference call will be available until 11:59 pm (Toronto time), November 23, 2017 and can be accessed using the following dial-in number:

Encore Toll Free Dial-in Number:	(877) 660-6853
Encore ID:	13672556

For further information:

Mark Sander
President and Chief Executive Officer

Greg DiTomaso

Director of Investor Relations

Contact:
1.647.260.1566

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 and the potential for a restart of operations at the Company’s Cerro Bayo mine. 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 31, 2017, 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 its 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 income from mine operations, net of administration costs, and before interest, taxes, non-cash charges/(income), intercompany charges and finance costs. For a reconciliation between adjusted EBITDA and net income, please refer to page 17 of management’s discussion and analysis of the Company’s financial statements for the third quarter of 2017.

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.

The Company defines free cash flow as a measure of the Corporation’s ability to generate and manage liquidity. This term does not have a standard meaning and is intended to provide the reader with additional information.

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.

Also for Cerro Bayo, saleable equivalent gold ounces produced is calculated by adding to saleable gold ounces produced, the saleable silver ounces produced times the average silver 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 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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