

# Orvana Reports 2017 Financial Results; Record Gold Production; Cost Guidance Met

13.12.2017 | [CNW](#)

## Fiscal 2017 achievements:

- Record annual gold production of 90,292 ounces, increase of 37% compared to fiscal 2016 due to investments in re-commissioning CIL circuit at Don Mario and reaching consistent nameplate plant throughput at El Valle;
- COC and AISC of \$1,015 and \$1,269, respectively, better than guidance;
- EBITDA of \$16.5 million, compared to \$4.4 million in fiscal 2016;
- Revenue increased by \$44.1 million to \$138.0 million, up 47% compared to fiscal 2016;
- Cash balance of \$23.8 million at September 30, 2017.

## Fiscal 2018 outlook:

- Transition to higher gold oxide mining at OroValle through fiscal 2018, targeting a 50% oxide-skarn plant throughput;
- Mining at Don Mario to move to Cerro Felix gold deposit mid-fiscal 2018;
- Orvana seeking strategic and transformative transactions to enhance profile.

TSX:ORV

TORONTO, Dec. 12, 2017 /CNW/ - [Orvana Minerals Corp.](#) (TSX:ORV) (the "Company" or "Orvana") announced today its financial and operational results for the fourth quarter ("Q4 2017") and for the fiscal year ended September 30, 2017 ("fiscal 2017"). The Company is also providing financial and operational updates for its El Valle and Carlés Mines (collectively, "El Valle") in northern Spain and for its Don Mario Mine in Bolivia.

The audited consolidated financial statements for fiscal 2017 ("2017 Financials") and Management's Discussion and Analysis related thereto ("2017 MD&A") are available on SEDAR and on the Company's website at [www.orvana.com](http://www.orvana.com).

## Fiscal 2017 Highlights

The Company's strategy to increase production at its operations targets productivity enhancements to allow for delivery of higher throughput, increased gold recovery and reduced unitary costs. The Company is pleased to report the following positive developments in fiscal 2017 as follows:

- El Valle &dash; Transitioning towards increased oxide mining:
  - Production from higher gold grade oxide ore at El Valle increased by 69% to 141,164 tonnes in fiscal 2017, compared to 83,500 tonnes with fiscal 2017. Total ore mined increased to 733,086 tonnes in fiscal 2017, a 53% year over year improvement.
  - As a result of the improvement in mining productivity, allowing for sustained mill throughput rates above 2,000 tonnes per day, gold and copper production increased by 15% and 29%, respectively, compared to fiscal 2016.
- Don Mario &dash; CIL production surpassed targets:
  - The re-commissioned carbon-in-leach ("CIL") circuit allowed Don Mario to achieve annual gold production of 90,292 ounces, an 84% increase compared to fiscal 2016 and Don Mario's highest annual gold production since fiscal 2011.
  - Gold recoveries from the CIL circuit averaged 87.8% over the second half of fiscal 2017, exceeding the Company's targeted average gold recovery of 80%.
- Realized reductions in unitary costs and improved financial performance:

- ● Driven by the productivity increases above, consolidated cash operating costs ("COC") fell to \$1,015 per ounce compared with \$1,082 per ounce in fiscal 2016 and surpassing 2017 guidance targets of \$1,050 to \$1,150 per ounce.
- All-in sustaining costs ("AISC") fell to \$1,269 per ounce, compared with \$1,428 in fiscal 2016 and surpassing 2017 guidance targets of \$1,300 to \$1,400 per ounce.
- Revenue increased 47% to \$138.0 million in fiscal 2017, compared with fiscal 2016; EBITDA improved by \$16.5 million in fiscal 2017.
- Operating cash flow, before working capital changes improved by 129% in fiscal 2017, compared with fiscal 2016 to \$11.9 million for fiscal 2017.
- Consolidated cash balance increased from \$18.9 million at September 30, 2016 to \$23.8 million at September 30, 2017.

"We are very proud of our accomplishments in fiscal 2017 at both of our operations, which reflect the effort and commitment of our teams in Spain and Bolivia," stated Jim Gilbert, Chairman and CEO. "We delivered on our key objectives by meeting our 2017 guidance and by lowering COC and AISC to levels that beat our stated cost guidance. In fiscal 2018, at El Valle, the key objective is to achieve and sustain significant grade improvement by mining a larger proportion of high gold grade oxide zones. At Don Mario, production will transition to the Cerro Felix deposit which is the first phase of the anticipated three-year mine life. We anticipate that as we work towards meeting these objectives in fiscal 2018, we will realize reductions further in COC and AISC at El Valle that will support our path towards sustained free cash flow and future profitability."

## Strategy and Outlook

The Company continues to pursue its initiatives at El Valle and Don Mario on an accelerated basis in order to meet its objectives of optimizing production, lowering unitary cash costs, maximizing free cash flow, extending the life-of-mine of its operations and growing its operations to deliver shareholder value.

### El Valle:

At El Valle, supported by capital infrastructure and development investments, the Company achieved its target of a sustained throughput rate of over 2,000 tonnes per day over the second half of fiscal 2017. Increased access to higher gold grade oxide ore fronts at the El Valle Mine and production from the Carlés Mine allowed El Valle to improve its gold production and lower unitary cash costs progressively over 2017. Objectives in fiscal 2018 include continuing to improve access to oxide ore fronts in the El Valle Mine in order to bring the proportion of oxide ore processed in the plant up to 50%, an increase from historical levels of less than 20%, with the objective of substantially increasing ore grades delivered to the mill. Through additional geotechnical and infill drilling, the Company also expects to significantly increase the reliability of the mine plan by minimizing the proportion of inferred material in its mine planning in fiscal 2018. Infrastructure investments to improve productivity and efficiency will be made through fiscal 2018 as planned. It is anticipated that these actions will also positively impact El Valle's unitary cash costs in fiscal 2018.

### Don Mario:

At Don Mario, the Company successfully re-commissioned the CIL circuit and completed two full quarters of commercial production of gold doré, increasing gold ounce production to its highest levels since 2009. Gold recoveries exceeded the targeted level, reaching an average of 87.8% over the second half of fiscal 2017, up from previous average recoveries of 55% from the CIL process. Don Mario is now pursuing realization of a number of known opportunities for mine life extension. In the near term, the Company expects to commence pre-stripping activities at Cerro Felix in the first quarter of fiscal 2018, and intends to transition mine production to this satellite deposit following the depletion of the LMZ, expected in mid-fiscal 2018. The Company is currently evaluating opportunities to extend the life of Don Mario, including processing existing mineral stockpiles, potential mining at the Company's Las Tojas deposit, and reprocessing gold bearing tailings.

While maintaining its focus on optimizing current operations, the Company will also evaluate strategic alternatives that could be used to transform the profile of the Company.

## FY 2017 Production and Cost Guidance

|   | FY 2017                   | FY 2017 FY 2018 |                           |
|---|---------------------------|-----------------|---------------------------|
|   | Guidance                  | Actual          | Guidance <sup>(1)</sup>   |
| <b>El Valle Production</b>  |                           |                 |                           |
| Gold (oz)   | 50,000 &ndash; 55,000     | 51,546          | 65,000 &ndash; 72,000     |
| Copper (million lbs)  | 6.0 &ndash; 6.5           | 5.5             | 4.1 &ndash; 4.5           |
| Silver (oz)   | 170,000 &ndash; 200,000   | 182,635         | N/A                       |
| <b>Don Mario Production</b>   |                           |                 |                           |
| Gold (oz)   | 35,000 &ndash; 40,000     | 38,746          | 45,000 &ndash; 48,000     |
| Copper (million lbs)  | 7.0 &ndash; 7.5           | 8.4             | 2.0 &ndash; 2.3           |
| Silver (oz)   | 130,000 &ndash; 150,000   | 135,872         | N/A                       |
| <b>Total Production</b>   |                           |                 |                           |
| Gold (oz)   | 85,000 &ndash; 95,000     | 90,292          | 110,000 &ndash; 120,000   |
| Copper (million lbs)  | 13.0 &ndash; 14.0         | 13,893          | 6.1 &ndash; 6.8           |
| Silver (oz)   | 300,000 &ndash; 350,000   | 318,507         | N/A                       |
| Total capital expenditures  | \$27,000 &ndash; \$30,000 | \$21,332        | \$24,000 &ndash; \$27,000 |
| Cash operating costs (by-product) (\$/oz) gold <sup>(2)</sup> <sup>(3)</sup>    | \$1,050 &ndash; \$1,150   | \$1,015         | \$950 &ndash; \$1,050     |
| All-in sustaining costs (by-product) (\$/oz) gold <sup>(2)</sup> <sup>(3)</sup> | \$1,300 &ndash; \$1,400   | \$1,269         | \$1,150 &ndash; \$1,250   |

(1) Due to declining relevance, silver production guidance will no longer be provided beginning in fiscal 2018.

(2) FY 2018 guidance assumptions for COC and AISC include by-product commodity prices of \$2.75 per pound of copper and an average Euro to US Dollar exchange of 1.20.

(3) FY 2017 guidance assumptions for COC and AISC include by-product commodity prices of \$2.00 per pound of copper and \$18.00 per ounce of silver and an average Euro to US Dollar exchange of 1.12.

#### Selected Operational and Financial Information

|   | Q4 2017   | Q3 2017   | Q4 2016   | FY 2017    | FY 2016   |
|---|-----------|-----------|-----------|------------|-----------|
| <b>Operating Performance</b>  |           |           |           |            |           |
| <b>Gold</b>   |           |           |           |            |           |
| Production (oz)   | 27,666    | 26,414    | 14,842    | 90,292     | 65,785    |
| Sales (oz)  | 29,639    | 24,287    | 14,705    | 88,636     | 61,816    |
| Average realized price / oz   | \$1,268   | \$1,262   | \$1,313   | \$1,258    | \$1,211   |
| <b>Copper</b>   |           |           |           |            |           |
| Production ('000 lbs)   | 3,601     | 3,837     | 3,630     | 13,893     | 14,735    |
| Sales ('000 lbs)  | 3,850     | 4,244     | 3,296     | 14,686     | 13,367    |
| Average realized price / lb   | \$2.74    | \$2.45    | \$2.17    | \$2.50     | \$2.16    |
| <b>Silver</b>   |           |           |           |            |           |
| Production (oz)   | 68,164    | 75,578    | 122,589   | 318,507    | 525,934   |
| Sales (oz)  | 72,587    | 77,173    | 96,520    | 362,827    | 469,847   |
| Average realized price / oz   | \$16.91   | \$17.25   | \$19.74   | \$17.22    | \$16.29   |
| <b>Financial Performance (in 000's, except per share amounts)</b>   |           |           |           |            |           |
| Revenue   | \$46,156  | \$36,671  | \$24,044  | \$137,999  | \$93,850  |
| Mining costs  | \$34,562  | \$31,180  | \$22,884  | \$116,370  | \$84,544  |
| Gross margin  | \$3,274   | (\$1,909) | (\$3,599) | (\$5,480)  | (\$7,883) |
| Net loss  | (\$1,822) | (\$3,446) | (\$1,528) | (\$15,655) | (\$8,455) |
| Net loss per share (basic/diluted)                                  | (\$0.01)  | (\$0.03)  | (\$0.01)  | (\$0.11)   | (\$0.06)  |
| EBITDA <sup>(1)</sup>   | \$10,313  | \$4,782   | \$960     | \$16,535   | \$4,417   |
| Operating cash flows  | \$12,329  | \$7,769   | \$221     | \$20,726   | \$3,437   |
| Ending cash and cash equivalents                                    | \$23,811  | \$18,504  | \$18,939  | \$23,811   | \$18,939  |
| Capital expenditures <sup>(2)</sup>                                 | \$5,818   | \$3,294   | \$5,394   | \$21,332   | \$14,977  |
| Cash operating costs (by-product) (\$/oz) gold <sup>(1)</sup>       | \$902     | \$1,032   | \$1,205   | \$1,015    | \$1,082   |
| All-in sustaining costs (by-product) (\$/oz) gold <sup>(1)(2)</sup> | \$1,145   | \$1,199   | \$1,699   | \$1,269    | \$1,428   |

(1) Earnings before interest, taxes, depreciation and amortization ("EBITDA"), cash operating costs and all-in sustaining costs are non-IFRS performance measures.

(2) Each reported period excludes capital expenditures incurred in the period which will be paid in subsequent periods and includes capital expenditures incurred in prior periods and paid for in the applicable reporting period. The calculation of AISC includes capex incurred (paid and unpaid) during the period.

## About Orvana

Orvana is a multi-mine gold and copper producer. Orvana's operating assets consist of the producing gold-copper-silver El Valle and Carlés mines in northern Spain and the producing gold-copper-silver Don Mario mine in Bolivia. Additional information is available at Orvana's website ([www.orvana.com](http://www.orvana.com)).

#### Cautionary Statements - Forward-Looking Information

Certain statements in this information constitute forward-looking statements or forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, potentials, future events or performance (often, but not always, using words or phrases such as "believes", "expects", "plans", "estimates" or "intends" or stating that certain actions, events or results "may", "could", "would", "might", "will" or "are projected to" be taken or achieved) are not statements of historical fact, but are forward-looking statements.

The forward-looking statements herein relate to, among other things, Orvana's ability to achieve improvement in free cash flow; the potential to extend the mine life of El Valle and Don Mario beyond their current life-of-mine estimates including specifically, but not limited to in the case of Don Mario, the completion of the major tailings storage facility expansion, the mining of the Cerro Felix deposit, the processing of the mineral stockpiles and the reprocessing of the tailings material; Orvana's ability to optimize its assets to deliver shareholder value; the Company's ability to optimize productivity at Don Mario and El Valle; estimates of future production, operating costs and capital expenditures; mineral resource and reserve estimates; statements and information regarding future feasibility studies and their results; future transactions; future metal prices; the ability to achieve additional growth and geographic diversification; future financial performance, including the ability to increase cash flow and profits; future financing requirements; and mine development plans.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The estimates and assumptions of the Company contained or incorporated by reference in this information, which may prove to be incorrect, include, but are not limited to, the various assumptions set forth herein and in Orvana's most recently filed Management's Discussion & Analysis and Annual Information Form in respect of the Company's most recently completed fiscal year (the "Company Disclosures") or as otherwise expressly incorporated herein by reference as well as: there being no significant disruptions affecting operations, whether due to labour disruptions, supply disruptions, power disruptions, damage to equipment or otherwise; permitting, development, operations, expansion and acquisitions at El Valle and Don Mario being consistent with the Company's current expectations; political developments in any jurisdiction in which the Company operates being consistent with its current expectations; certain price assumptions for gold, copper and silver; prices for key supplies being approximately consistent with current levels; production and cost of sales forecasts meeting expectations; the accuracy of the Company's current mineral reserve and mineral resource estimates; and labour and materials costs increasing on a basis consistent with Orvana's current expectations.

A variety of inherent risks, uncertainties and factors, many of which are beyond the Company's control, affect the operations, performance and results of the Company and its business, and could cause actual events or results to differ materially from estimated or anticipated events or results expressed or implied by forward looking statements. Some of these risks, uncertainties and factors include fluctuations in the price of gold, silver and copper; the need to recalculate estimates of resources based on actual production experience; the failure to achieve production estimates; variations in the grade of ore mined; variations in the cost of operations; the availability of qualified personnel; the Company's ability to obtain and maintain all necessary regulatory approvals and licenses; the Company's ability to use cyanide in its mining operations; risks generally associated with mineral exploration and development, including the Company's ability to continue to operate the El Valle and/or Don Mario and/or ability to resume long-term operations at Carlés Mine; the Company's ability to acquire and develop mineral properties and to successfully integrate such acquisitions; the Company's ability to execute on its strategy; the Company's ability to obtain financing when required on terms that are acceptable to the Company; challenges to the Company's interests in its property and mineral rights; current, pending and proposed legislative or regulatory developments or changes in political, social or economic conditions in the countries in which the Company operates; general economic conditions worldwide; and the risks identified in the Company's Disclosures under the heading "Risks and Uncertainties". This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements and reference should also be made to the Company's Disclosures for a description of additional risk factors.

Any forward-looking statements made in this information with respect to the anticipated development and

exploration of the Company's mineral projects are intended to provide an overview of management's expectations with respect to certain future activities of the Company and may not be appropriate for other purposes.

Forward-looking statements are based on management's current plans, estimates, projections, beliefs and opinions and, except as required by law, the Company does not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change. Readers are cautioned not to put undue reliance on forward-looking statements.

The forward-looking statements made in this information are intended to provide an overview of management's expectations with respect to certain future operating activities of the Company and may not be appropriate for other purposes.

#### Cautionary Notes to Investors &ndash; Reserve and Resource Estimates

In accordance with applicable Canadian securities regulatory requirements, all mineral reserve and mineral resource estimates of the Company disclosed in this AIF have been prepared in accordance with NI 43-101 (as defined below), classified in accordance with Canadian Institute of Mining Metallurgy and Petroleum's "CIM Standards on Mineral Resources and Reserves Definitions and Guidelines" (the "CIM Guidelines").

#### Contact

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Pursuant to the CIM Guidelines, mineral resources have a higher degree of uncertainty than mineral

reserves as to their existence as well as their economic and legal feasibility. Inferred mineral resources,

when compared with measured or indicated mineral resources, have the least certainty as to their existence,

and it cannot be assumed that all or any part of an inferred mineral resource will be upgraded to an indicated

or measured mineral resource as a result of continued exploration. Pursuant to NI 43-101, inferred mineral

resources may not form the basis of any economic analysis, including any feasibility study. Accordingly,

readers are cautioned not to assume that all or any part of a mineral resource exists, will ever be converted

into a mineral reserve, or is or will ever be economically or legally mineable or recoverable.

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