Orosur Mining Inc. - H1 & Q2 2018 Results

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Orosur Mining Inc. (“Orosur” or “the Company”) (TSX/AIM: OMI), a South American-focused gold producer, developer and explorer is pleased to announce the results for the first half of its fiscal 2018 (“H1 18”) and second quarter ended November, 2017 (“Q2 18” or the “Quarter”). All dollar figures are stated in US$’000 unless otherwise noted.

EXPLORATION AND DEVELOPMENT HIGHLIGHTS

- Drilling in the APTA portion of the Anzá gold project in Colombia commenced in October 2017, with first drill results announced on November 14, 2017, including 5.32m at 17.76 g/t in hole MAP-54. Depth potential is being confirmed with gold mineralization intersected down to 200m. Mineralized zones remain open.
- In Uruguay, a final infill drilling campaign and block model were finalised for San Gregorio Central (“SGC”), with mine development planned to start in Q3 18.
- The Company is accelerating the preparation and permitting of Veta A Underground, a new underground project with higher grades next to the San Gregorio CIL Plant.
- The deadline for Asset Chile to move into Phase 2 in Anillo expired on December 31, 2017 unexercised. As a result, Asset Chile will forfeit the 16% interest it had earned and Orosur is currently evaluating strategic alternatives to move ahead with the project with external and non-dilutive funding.

OPERATIONAL HIGHLIGHTS

- Extended downtime of two long hole drill rigs used in stope production at the SGW UG mine caused the deferral of 2,000 ounces of production planned for Q2 18. Development activities continued as planed at the SGW UG mine and the Company resumed full underground production by the end of November.
- Q2 18 production was 7,052 oz of gold, compared to 6,852 oz in Q2 17. As a result of the Company’s focus on profitability and not purely ounces produced, the Company is targeting the lower end of its production guidance at San Gregorio for FY18, being 30,000 ounces of gold.
- Average cash operating cost was $867/oz, compared to $914/oz Q2 17. The Company expects to achieve its annual guidance for cash operating cost of US$800 - US$900 per ounce.
- The Uruguayan government continues to demonstrate its support for the Company with an exemption granted on royalty payments (equal to 3% of sales) for the period April 2017 to March 2018. This is forecast to total approximately US$1.0 million.
- All-In-Sustaining Costs (“AISC”) were $1,455/oz compared to $1,345/oz in Q2 17, an increase of 8%. The increase was predominantly due to higher development, brownfield exploration and the construction of the fourth phase of the tailings dam.

FINANCIAL HIGHLIGHTS

- Operating profit of the San Gregorio operation was $3,423 compared to an operating profit of $2,261 in Q2 17. The improvement mainly due to lower operating costs.
- Loss after tax was $251 compared to a profit of $942 in Q2 17. This was mainly due to higher depreciation and the recognition of a provision for staff retrenchments following the Q2 production deferral at SGW UG.
- Cash flow from operations before changes in working capital was $2,160 compared to $2,234 in Q2 17.
- The Company invested $3,359 in capital expenditures and $1,704 in exploration compared to $3,835 and $609 respectively in Q2 17. The Company significantly increased its investment in exploration and development in Uruguay with the aim of expanding reserves.
- The Company’s cash balance at November 30, 2017 was $2,064 compared to $3,357 at May 31, 2017. The deferral of approximately 2,000 ounces of planned production for the Quarter from the SGW UG mine caused the Company to draw on the full Santander line of credit in the amount of $1,500 during the Quarter.
- The committed line of credit with Banco Santander available as at November 30, 2017 was renewed for another year (until November 30, 2018).

Operational & Financial Summary[1]		Q2 18	Q2 17	Diff	YTD 18	YTD 17	Diff
Operating Results							
Gold produced	Ounces	7,052	6,852	200	15,677	16,802	(1,125)
Operating cash cost[3]	US$/oz	867	914	(47)	886	783	103
AISC	US$/oz	1,455	1,345	110	1,422	1,135	287
Average price received	US$/oz	1,299	1,252	47	1,277	1,290	(13)
Financial Results (unaudited)							
Net profit/(loss) after tax	US$ ‘000	(251)	942	(1,193)	(542)	3,701	(4,243)
Cash flow from operations[2]	US$ ‘000	2,160	2,234	(74)	3,614	7,029	(3,415)

Cash & Debt Summary (unaudited)		Nov. 30, 2017	Aug 31, 2017	Diff	Nov. 30, 2017	May 31, 2017	Diff
Cash balance	US$ ‘000	2,064	4,533	(2,469)	2,064	3,357	(1,293)
Total debt	US$ ‘000	1,773	330	1,443	1,773	403	1,370
Cash net of debt	US$ ‘000	291	4,203	(3,912)	291	2,954	(2,663)

[1] Results are based on IFRS and expressed in US dollars

[2] Before non-cash working capital movements

[3] Operating cash cost is total cost discounting royalties and capital tax on production assets.

H2 OUTLOOK

SG UG is a continuation at depth of the San Gregorio open pit deposit, which produced approximately 536,000 oz at an average grade of 2.12 g/t Au. Since November 2016, SGW UG has been the primary source of ore feed to the plant. Mining in the SGW sector is forecast to be complete in H2 18 when development and initial production of SGC is scheduled to commence. SGC is planned to be the main source of underground ore feed to the plant during H2 18.

To view the full release, showing all maps and figures, please click here.

During Q2 18, 792 metres of diamond core were drilled around the San Gregorio West underground mine aimed at improving accuracy and planning of the mining in this sector. A 250 metre development access ramp is necessary to fully access SGC from the SGW UG mine and is under construction. The block model for SGC was finalized in Q2 18, and shows that the mineralized structure is less economically viable at current gold prices at depth and to the East based on reductions in both ore grade and thickness. Due to this, and amongst other measures, the Company has been working with SRK Peru in order to optimize the mineplan for SGC, with a special emphasis on profitability following the deferral of production from SGW in Q2 18. The new design concentrates mining on the upper levels of the mine to minimize additional and uneconomic development. Additionally, an existing crown pillar between the open pit and the UG mine is being evaluated for potential inclusion in the mine plan.

The Company is accelerating the preparation and permitting of Veta A, a new underground project that is 1.2 kilometres from the plant, for development. Initial work indicates Veta A is currently the highest grade source of underground ore available on the San Gregorio mine complex. Veta A was previously mined as an open pit, producing 29,000 oz with an average grade of 3.1 g/t between September 2006 and March 2008. Current reserves are 9,440 oz (122,328 tonnes @ 2.40 g/t Au). The Company is targeting a significant increase in reserves following a positive drilling campaign that proved the continuity and extension of the ore body over 140 metres from the current defined reserves. A preliminary study by SRK Consulting at Veta A supports its geotechnical feasibility.

In addition to the redesign of underground production in San Gregorio, the company has implemented a number of initiatives to preserve cash. These include an 11% staff reduction at the end of November, the recently granted royalty exemption by the Uruguayan Government for a one year period and the deferral of planned greenfield exploration in Uruguay.

Orosur remains focused on profitability over production and as a result is targeting the lower end of its production guidance at San Gregorio for FY18 at 30,000 ounces of gold, while maintaining its operating cash cost guidance of between US$800 – US$900/oz. The Company continuously considers and analyses strategic options to develop its Uruguay, Colombian and Chilean assets to create shareholder value.

The Company expects to conclude its first phase of drilling at the APTA zone, which is part of the Anzá project in Colombia next month. Additional drill results are expected by the end of February. As announced in November 2017, preliminary results from the current drilling campaign have demonstrated APTA’s potential at depth, with gold mineralization intersected to 200m, and along strike. The broader Anzá potential (beyond APTA) has yet to be tested at any of the four high priority identified targets with coincident geochemical and geophysical anomalies.

To view the full release, showing all maps and figures, please click here.

Ignacio Salazar, CEO of Orosur, said:

“The Company is concentrating on advancing exploration in Colombia while maintaining profitability in Uruguay. We have built the SGW UG mine, entirely financed from cash from operations, while advancing exploration and development around it. SGC is well under way and on track to commence production during Q3 18 and we are swiftly advancing a new higher grade underground mine at Veta A. While we are taking some tough measures to implement this plan, we are getting some initial results already and are proud to count on the support of the Uruguayan government which granted us a second, and unprecedented, annual royalty exemption.

As announced in November, preliminary results in Colombia from the current drilling campaign validate the APTA gold potential. Depth potential has been confirmed at APTA with gold mineralization intersected down to 200m. Mineralized zones remain open. We plan to update the market in the next several weeks. In addition to APTA, and in respect of the broader Anzá potential, four high priority targets with coincident geochemical and geophysical anomalies, remain untested.”

Potential for a New UG Mine: Veta A Underground

Historically, Veta A was a relatively small high grade open pit, located next to the now reclaimed San Gregorio tailings dam, which was in operation from September 2006 until March 2008. The Veta A open pit produced approximately 29,000 oz at average gold grades of 3.10 g/t.

To view the full release, showing all maps and figures, please click here.

As open pit mining progressed, the mineralized body appeared to run underneath the tailings dam. When operations approached this physical barrier, mining was halted and the pit was backfilled with waste and then reclaimed.

A preliminary geotechnical study of the Veta A deposit was performed by SRK Consulting during the first Quarter with positive results. During Q2 2018, drilling continued at Veta A, with 968 metres drilled (adding up to a total 1,665 metres drilled to date for this campaign). The results are encouraging. Drilling interceptions to date are shown below:

HOLE	From (m)	To (m)	Metres	Au g/t
VADD17-006	161.9	168.6	6.7	5.0
VADD17-007	165.2	167.1	2.0	3.3
VADD17-008	125.0	131.1	6.1	2.6
VADD17-009	170.5	175.3	4.9	1.8
VADD17-010	107.7	109.7	2.0	0.4
VADD17-011	107.6	110.2	2.6	5.8
VADD17-012	124.4	130.8	6.4	1.7
VADD17-013	97.5	99.0	1.5	1.5
VADD17-014	96.30	97.70	1.4	0.7

VADD17-015	155.4	157.0	1.6	1.6
VADD17-016	133.6	136.7	3.1	3.4

All 11 holes drilled to date at Veta A intersected mineralization, confirming the extension of the mineralized body for at least 140 metres downhole. The best mineralization intercepts show the continuity of the mineralized trend to the south-west down-deep. This indicates the strong potential for an increase in the volume of the mineralized structure, which may materially increase current reserves, albeit requiring further work.

The block model was updated in-house during Q2 18 and a mine plan design is in progress to advance with the feasibility study.

To view the full release, showing all maps and figures, please click here.

Qualified Person's Statement

The technical information related to the current assets of Orosur Mining in this presentation has been reviewed by Miguel Fuentealba, a Mining Engineer who is considered to be a Qualified Person under NI 43-101 reporting guidelines. Mr. Fuentealba is a graduate in Mining Engineering from the University of Santiago de Chile and is an AusIMM Member and Qualified Person of Chilean Mining Commission. Mr. Fuentealba has 20 years of professional experience in the field of mining engineering, mine development and management. Reserves and Resources stated in this announcement have the meaning ascribed to such terms under N.I. 43-101, and have been prepared on such basis and published in the Company’s annual information form dated August 29, 2017.

About Orosur Mining Inc.

Orosur Mining Inc. (TSX: OMI; AIM: OMI) is a fully integrated gold producer, developer and explorer focused on identifying and advancing gold projects in South America. The Company operates the only producing gold mine in Uruguay (San Gregorio), and has assembled an exploration portfolio of high quality assets in Uruguay, Chile and Colombia.

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation ("MAR"). Upon the publication of this announcement via Regulatory Information Service, this inside information is now considered to be in the public domain. If you have any queries on this, then please contact Ignacio Salazar, Chief Executive Officer of the Company (responsible for arranging release of this announcement) on: +1 (778) 373-0100.

Forward Looking Statements

All statements, other than statements of historical fact, contained or incorporated by reference in this news release, including any information as to the future financial or operating performance of the Company, constitute "forward-looking statements" within the meaning of certain securities laws, including the "safe harbour" provisions of the Securities Act (Ontario) and the United States Private Securities Litigation Reform Act of 1995 and are based on expectations estimates and projections as of the date of this news release. There can be no assurance that such statements will prove to be accurate. Such statements are subject to significant risks and uncertainties some of which are described in Section 8 of the Q2 2018 Management Discussion and Analysis, and actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements include, without limitation success of exploration activities; permitting time lines; the failure of plant; equipment or processes to operate as anticipated; accidents; labour disputes; requirements for additional capital title disputes or claims and limitations on insurance coverage. The Company disclaims any intention or obligation to update or revise any forward looking statements whether as a result of new information, future events and such forward-looking statements, except to the extent required by applicable law.

Orosur Mining Inc.
Condensed Interim Consolidated Statements of Financial Position

Thousands of United States Dollars, except where indicated

	As at November 30, 2017 ($)	As at May 31, 2017 ($)
Assets		
Cash	2,064	3,357
Accounts receivable and other assets	1,706	1,519
Inventories	12,457	13,157
Total current assets	16,227	18,033
Accounts receivable and other assets	304	550
Property plant and equipment and development costs	18,331	16,160
Exploration and evaluation costs	20,756	17,677
Deferred income tax assets	3,115	3,115
Restricted cash	227	229
Total non-current assets	42,733	37,731
Total assets	58,960	55,764
Liabilities and Shareholders’ Equity		
Trade payables and other accrued liabilities	14,158	14,518
Current portion of long-term debt	1,626	202
Warrants	577	-
Environmental rehabilitation provision	243	243
Total current liabilities	16,604	14,963
Long-term debt	147	201
Environmental rehabilitation provision	5,349	5,405
Total non-current liabilities	5,496	5,606
Total liabilities	22,100	20,569
Capital stock	63,461	61,162
Contributed surplus	5,880	5,836
Deficit	(31,455)	(30,913)
Currency translation reserve	(1,026)	(890)
Total shareholders’ equity	36,860	35,195
Total liabilities and shareholders’ equity	58,960	55,764

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Condensed Interim Consolidated Statements of profit/ (loss) and Comprehensive profit/ (loss)

Thousands of United States Dollars, except for loss per share amounts

	Three months ended		Six months ended	
	November 30,		November 30,	
	2017 ($)	2016 ($)	2017 ($)	2016 ($)
Sales	9,028	10,765	20,979	23,423
Cost of sales	(7,708)	(9,567)	(19,480)	(18,810)
Gross profit	1,320	1,198	1,499	4,613
Corporate and administrative expenses	(749)	(704)	(1,394)	(1,143)
Restructuring costs	(750)	164	(810)	288
Exploration expenses and exploration written off	(17)	(2)	(26)	(11)
Obsolescence provision	(9)	(12)	(45)	(100)
Other income	1	507	130	857
Net finance cost	(59)	(45)	(146)	(90)
Derivative profit/(loss)	-	8	(10)	(412)
Net foreign exchange gain/(loss)	11	(87)	262	(188)
	(1,572)	(231)	(2,039)	(887)
Profit/(loss) before income tax	(252)	967	(540)	3,726
Provision for income taxes	1	(25)	(2)	(25)

Net profit/(loss) for the period	(251)	942	(542)	3,701
Other comprehensive profit/(loss)				
Cumulative translation adjustment	142	(20)	(136)	(57)
Total comprehensive profit/(loss) for the period	(109)	922	(678)	3,644
Profit/(loss) per common share:				
Basic	(0.00)	0.01	(0.00)	0.04
Diluted	(0.00)	0.01	(0.00)	0.04

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Condensed Interim Consolidated Statements of Cash Flows

Thousands of United States Dollars, except where indicated

	Six months ended November 30,	
	2017 ($)	2016 ($)
Net inflow/(outflow) of cash related to the following activities		
Cash flow from operating activities		
Net profit/(loss) for the period	(542)	3,701
Adjustments to reconcile net income to net cash provided from operating activities:		
Depreciation	4,064	2,829
Exploration and evaluation expenses written off	26	11
Obsolescence provision	45	100
Fair value of derivatives	(20)	186
Accretion of asset retirement obligation	38	38
Stock based compensation	44	88
Gain on sale of property, plant and equipment	(61)	(14)
Other	20	90
Subtotal	3,614	7,029
Changes in working capital:		
Accounts receivable and other assets	29	(249)
Inventories	656	211
Trade payables and other accrued liabilities	(360)	1,094
Net cash generated from operating activities	3,939	8,085
Cash flow from financing activities		
Loan payments	(129)	(127)
Investment in Anillo	69	-
Loans received	1,500	-
Proceeds from private placement	2,894	-
Net cash generated from/(used in) financing activities	4,334	(127)
Cash flow from investing activities		
Purchase of property, plant and equipment and development costs	(6,164)	(5,617)
Environmental tasks	(95)	(145)
Proceeds from the sale of fixed assets	10	18
Exploration and evaluation expenditure assets	(3,317)	(1,158)
Net cash used in investing activities	(9,566)	(6,902)
Increase/(decrease) in cash	(1,293)	1,056
Cash at the beginning of period	3,357	4,320
Cash at the end of period	2,064	5,376

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Condensed Interim Consolidated Statements of Changes in Shareholders’ Equity

Thousands of United States Dollars, except where indicated

Six months ended

November 30,

	2017 ($)	2016 ($)
Capital stock		
Balance at beginning of period	61,162	60,751
Exercise of stock options	-	174
Grant of shares	-	34
Private placement	2,299	-
Balance at end of period	63,461	60,959
Contributed surplus		
Balance at beginning of period	5,836	5,925
Stock based compensation recognized	44	83
Exercise of stock options	-	(102)
Balance at end of period	5,880	5,906
Deficit		
Balance at beginning of period	(30,913)	(33,497)
Net profit/(loss) for the period	(542)	3,701
Balance at end of period	(31,455)	(29,796)
Currency translation reserve	(1,026)	(1,041)
Shareholders’ equity at end of period	36,860	36,028

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Contact

Orosur Mining Inc
Ignacio Salazar, +1 (778) 373-0100
Chief Executive Officer
info@orosur.ca
or
Cantor Fitzgerald Europe – Nomad & Joint Broker
David Porter/Keith Dowsing
Tel: +44 (0) 20 7894 7000
or
Numis Securities Limited – Joint Broker
John Prior / James Black / Paul Gillam
Tel: +44 (0) 20 7260 1000