

Capstone Mining 2017 Financial Results - Generates \$130 Million of Operating Cash Flow and Continues to Strengthen Balance Sheet

14.02.2018 | [CNW](#)

(All amounts in US\$ unless otherwise specified)

VANCOUVER, Feb. 14, 2018 /CNW/ - [Capstone Mining Corp.](#) ("Capstone" or the "Company") (TSX: CS) today announced financial results for the three months and year ended December 31, 2017. For the three months ended December 31, 2017, operating cash flow before changes in working capital¹ was \$38.2 million or \$0.10 per share, with net income of \$29.5 million and adjusted net income of \$4.4 million or \$0.01 per share after adjusting for certain non-cash and non-recurring charges. Copper production totalled 23,417 tonnes (22,600 tonnes of payable copper) at a C1 cash cost¹ of \$1.98 per payable pound produced.

For the full year ended December 31, 2017, operating cash flow before changes in working capital¹ was \$129.7 million or \$0.37 per share, with net income of \$55.1 million and adjusted net loss of \$8.5 million or \$0.02 per share after adjusting for certain non-cash and non-recurring charges. Copper production totalled 90,395 tonnes (87,268 tonnes of payable copper) at a C1 cash cost¹ of \$1.92 per payable pound produced.

"We generated positive net income and strong cash flow for the year," said Darren Pylot, President and CEO of Capstone Mining. "Increased cash flow, combined with the monetization of our non-core Kutcho asset, allowed us to pay down \$54 million of debt in 2017, reducing debt by a total of \$74 million over the past two years."

"We are extremely well positioned entering 2018, with operations running well and potential organic growth opportunities continuing," said Mr. Pylot. "We are now set to take full advantage of strong copper prices in 2018 after completing our entire debt hedge program at the end of 2017."

Financial and Operational Overview

	Q4 2017	Q4 2016	2017	2016
Revenue (\$ millions)	152.8	163.0	541.9	529.4
Copper produced (tonnes)	23,417	29,853	90,395	114,583
Payable copper produced (tonnes)	22,600	28,828	87,268	110,663
C1 cash cost per payable pound produced ⁽¹⁾ (\$/lb)	1.98	1.26	1.92	1.44
All-in cost per payable pound produced ⁽¹⁾ (\$/lb)	2.65	1.77	2.49	1.88
Fully-loaded all-in cost per payable pound produced ⁽¹⁾ (\$/lb)	2.82	1.85	2.72	1.98
Net income (loss) (\$ millions)	29.5	(182.4)	55.1	(197.4)
Net income (loss) attributable to shareholders (\$ millions)	29.6	(125.4)	55.2	(140.0)
Net income (loss) attributable to shareholders per common share (\$)	0.08	(0.33)	0.14	(0.37)
Adjusted net income (loss) ⁽¹⁾ (\$ millions)	4.4	30.7	(8.5)	29.4
Adjusted net income (loss) attributable to shareholders ⁽¹⁾ (\$ millions)	4.5	30.9	(8.4)	30.0
Adjusted net income (loss) attributable to shareholders per common share ⁽¹⁾ (\$)	0.01	0.08	(0.02)	0.08
Cash flow from operating activities (\$ millions)	44.8	50.9	112.5	125.3
Cash flow from operating activities per common share ⁽¹⁾ (\$)	0.12	0.14	0.29	0.33
Operating cash flow before changes in working capital ⁽¹⁾ (\$ millions)	38.2	75.0	129.7	156.9
Operating cash flow before changes in working capital per common share ⁽¹⁾ (\$)	0.10	0.20	0.34	0.41
Cash and cash equivalents (\$ millions)	116.2	130.4	116.2	130.4
Net debt ⁽¹⁾ (\$ millions)	158.7	198.6	158.7	198.6

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Capstone will hold a conference call and webcast on Thursday, February 15, 2018 at 11:30 a.m. Eastern time (8:30 a.m. Pacific time) to discuss these results; call-in details and information on associated slides are provided at the end of this release. This release is not suitable on a standalone basis for readers unfamiliar with Capstone and should be read in conjunction with Capstone's consolidated financial statements and management's discussion and analysis ("MD&A") for the year ended December 31, 2017, which are available on Capstone's website at <http://capstonemining.com/investors/financial-reporting/default.aspx> and on SEDAR, all of which have been reviewed and approved by Capstone's Board of Directors. An updated corporate presentation, including results to December 31, 2017, and 2017 year-end webcast slides will also be available at <http://capstonemining.com/investors/events-and-presentations/default.aspx>.

Financial and Production Highlights for the Quarter Ended December 31, 2017

- Net income of \$29.5 million included:
 - Earnings from mining operations of \$39.6 million.
 - Realized copper price of \$3.17 per pound
 - A \$17.0 million gain on the sale of the Kutcho mineral property.
 - A commodity derivative loss of \$4.1 million, comprising realized losses of \$14.7 million and the reversal of a loss recorded in a prior period of \$10.6 million. The zero-cost collar and copper forwards expired in 2017.
 - A derivative loss of \$3.8 million primarily related to unrealized losses on the embedded derivative asset.
 - Cash flow from operating activities of \$44.8 million or \$0.12 per common share.
 - Working capital increased \$11.2 million to \$189.4 million at December 31, 2017 (which included \$116.2 million of equivalents) from \$178.2 million at September 30, 2017.
 - Operating cash flow before changes in working capital¹ was \$38.2 million or \$0.10 per share.
 - Produced a total of 22,600 tonnes of payable copper at a C1 cash cost¹ of \$1.98 per pound of payable copper produced and a fully-loaded all-in cost¹ of \$2.82 per pound of payable copper produced.
 - Revenue of \$152.8 million generated primarily from the sale of 22,575 tonnes of copper.

Financial and Production Highlights for the Year Ended December 31, 2017

- Net income of \$55.1 million included:
 - Earnings from mining operations of \$117.5 million.
 - Realized copper price of \$2.86 per pound
 - A non-cash impairment reversal of \$20.6 million related to Minto mineral property, plant and equipment.
 - A \$17.0 million gain on the sale of the Kutcho mineral property.
 - A commodity derivative loss of \$24.8 million, comprising realized losses of \$45.6 million and the reversal of gains recorded in a previous period of \$20.8 million. The zero-cost collar and copper forwards expired in 2017. Capstone has no commodity derivatives in place effective January 1, 2018.
 - An income tax expense of \$28.9 million.
 - Cash flow from operating activities of \$112.5 million or \$0.29 per common share.
 - Working capital increased \$18.3 million to \$189.4 million at December 31, 2017 (which included \$116.2 million of equivalents) from \$171.1 million at December 31, 2016.
 - Operating cash flow before changes in working capital¹ was \$129.7 million or \$0.34 per common share.
 - Production of 87,268 tonnes of payable copper at a C1 cash cost¹ of \$1.92 per pound of payable copper produced and a fully-loaded all-in cost¹ of \$2.72 per pound of payable copper produced.
 - Revenue of \$541.9 million generated primarily from the sale of 87,918 tonnes of copper.

Production, Costs and Additional Highlights

Pinto Valley Mine:

- Produced 16,160 tonnes of copper during Q4 2017 at a C1 cash cost¹ of \$1.79 per pound of payable copper produced and an all-in cost¹ of \$2.17 per pound of payable copper produced.
- Produced 57,332 tonnes of copper during 2017 at a C1 cash cost¹ of \$1.95 per pound of payable copper produced and an all-in cost¹ of \$2.34 per pound of payable copper produced.
- Pinto Valley had a strong fourth quarter, with production exceeding expectations on higher grade and recoveries. In the latter part of the year focused on overall operation optimization. 2017 C1 cash cost¹ and all-in cost¹ per pound of payable copper produced were in line with revised 2017 cost guidance.

Cozamin Mine:

- Produced 4,254 tonnes of copper during Q4 2017 at a C1 cash cost¹ of \$1.04 per pound of payable copper produced and an all-in cost¹ of \$2.08 per pound of payable copper produced.
- Produced 16,732 tonnes of copper during 2017 at a C1 cash cost¹ of \$1.16 per pound of payable copper produced and an all-in cost¹ of \$1.90 per pound of payable copper produced.
- At Cozamin, production for the fourth quarter and full year exceeded expectations, largely on higher mining and processing rates as the mine achieved development rates that allowed for increased flexibility. 2017 C1 cash cost¹ and all-in cost¹ per pound of payable copper produced were in line with 2017 guidance.

Minto Mine:

- At the start of 2017, it was Capstone's intention to place the Minto Mine on care and maintenance at the end of 2017 as a result of rising copper prices and the downside protection provided by the renegotiation of the precious metals strip contracts. Capstone made the decision to continue operations until at least mid-2021. Significant development and stripping work was expensed in the second half of 2017 as part of the mine life extension that will benefit future periods. These additions, combined with lower than planned production for the fourth quarter, impacted C1 cash cost¹ per pound of payable copper produced.
- Produced 3,003 tonnes of copper during Q4 2017 at a C1 cash cost¹ of \$4.29 per pound of payable copper produced and an all-in cost¹ of \$4.80 per payable pound of copper.
- Produced 16,332 tonnes of copper during 2017 at a C1 cash cost¹ of \$2.60 per pound of payable copper produced and an all-in cost¹ of \$2.75 per payable pound of copper produced.
- At Minto, underground production continued to lag planned rates, resulting in higher utilization of partially oxidized low-grade sulphide ore stockpiles. The lower proportion of sulfide ore in the mill feed negatively impacted grade and recovery. As a result, 2017 C1 cash cost¹ and all-in cost¹ per pound of payable copper produced were higher than revised 2017 guidance.

Additional Highlights:

- On December 15, 2017, Capstone completed the sale of its Kutcho development project to [Kutcho Copper Corp.](#) (formerly Desert Star Resources Ltd.). Under the terms of the agreement, Capstone received C\$28.8 million in cash and 4,000,000 common shares of the newly named [Kutcho Copper Corp.](#) Concurrent with the closing of the transaction, Capstone issued an additional 3,076,923 shares and 1,538,461 share purchase warrants through a private placement, resulting in Capstone owning and controlling at December 31, 2017, directly or indirectly, approximately 16.5% of the current issued and outstanding shares of Kutcho Copper on a non-diluted basis. As a result, Capstone recorded a gain on the sale of the development project of \$17.0 million.
- Debt repayments totalling \$24.0 million were made on the senior secured corporate revolving credit facility ("RCF") in 2017, with total repayments of \$54.0 for the full year 2017, reducing the outstanding balance to \$274.9 million at December 31, 2017.
- The zero-cost collar and copper forward contracts matured during 2017. The Company has no commodity derivatives from copper sales in 2018 and beyond.

Subsequent Event:

- On February 14, 2018, Capstone entered into a definitive share purchase agreement (the "Agreement") pursuant to which Capstone has agreed to sell its Minto Mine to Pembridge Resources plc ("Pembridge") (the "Transaction"). Under the terms of the Agreement, Capstone will receive US\$37.5 million in cash, plus working capital adjustments, and common shares of Pembridge representing 9.9% of the issued and outstanding shares of Pembridge upon completion of the Transaction.
- The Transaction is subject to closing conditions, including the requirement for Pembridge to post the required financial security with respect to the closure bonding requirements at Minto. Capstone has agreed, for a period of one year post-closing, to retain one-third (approximately Cdn\$24 million) of the existing surety bond if requested by Pembridge, which time Capstone will have no further obligation with respect to the closure of the Minto Mine.
- The Transaction is expected to close in the second quarter of 2018. Capstone intends to use net proceeds from the Transaction primarily to reduce outstanding borrowings under its revolving credit facility.

2018 Operating and Capital Guidance

In 2018, Capstone expects to produce 90,000 tonnes ($\pm 5\%$) of copper at a C1 cash cost¹ of \$1.85 to \$1.95 per pound of payable copper produced. Capital expenditures for 2018, including \$24 million of capitalized stripping and \$7 million of brownfield exploration, are expected to be \$100 million or \$0.50 per pound of payable copper produced. Consolidated all-in sustaining cost¹ guidance is \$2.50 to \$2.60 per pound of payable copper produced.

Conference Call and Webcast Details

Date: Thursday, February 15, 2018

Time: 11:30 am Eastern Time (8:30 am Pacific Time)

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

Webcast: <http://event.on24.com/r.htm?e=1559280&s=1&k=9E417F05C934E98FC1A5B362C357B8ED>

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

Replay Passcode: 894303#

The conference call replay will be available until Thursday, February 22, 2018. 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>.

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 the large scale 70% owned copper-iron Santo Domingo development project in Region III, Chile, in partnership with Korea Resources Corporation as well as exploration properties in Chile. 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", "expected", "potentially", "guidance" 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", "planned" and "expects". 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, assumptions related to geotechnical condition of tailings facilities, future prices of copper and other metals, compliance with financial covenants, surety bonding, our ability to raise capital, 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, 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 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., Capstone Senior Vice President and Chief Operating Officer, a Qualified Person 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 Interim Management's Discussion and Analysis for the quarter and year ended December 31, 2017 as filed on SEDAR and as available on the Company's website.

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. A qualified person's interpretation and conclusions concerning mineralization and reserves 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.

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