

Sprott Resource Holdings Inc. Announces 2018 First Quarter Results

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TORONTO, May 10, 2018 (GLOBE NEWSWIRE) -- (TSX:SRHI) - [Sprott Resource Holdings Inc.](#) ("SRHI" or the "Company") today announced its financial results for the three months ended March 31, 2018. SRHI is a publicly-listed diversified resource holding company focused on owning cash-flowing businesses and businesses expected to cash flow in the natural resource sector.

The Company's current principal operating business is its 70% equity interest in the Chilean producing copper mine Minera Tres Valles ("MTV") that was acquired in October 2017. MTV's main asset is the Tres Valles mining complex, in the Province of Choapa, Chile and includes fully integrated processing operations and two active mines. Mineralized material is extracted from the Don Gabriel open pit mine ("Don Gabriel") and the Papomono Massive underground mine ("Papomono Massive"), both of which are located approximately 10 kilometers north of Salamanca, Chile with the heap leach pads and solvent-extraction and electrowinning processing plant located approximately 7 kilometers north of Salamanca.

The Company's financial reporting changed effective February 1, 2018 resulting in MTV's treatment as a consolidated controlled entity. As a result, certain comparative information, although provided, is not meaningful in the majority of circumstances. Effective January 1, 2018, the Company began reporting in US dollars and has retrospectively applied this presentation in its most recently reported financial results. Readers are cautioned that previously filed reports of the Company are presented in Canadian dollars.

First Quarter Results and Highlights

Key corporate initiatives

- On March 29, 2018, SRHI filed a report entitled "NI 43-101 F1 Technical Report Mineral Resource Estimate, Chloride Leach Processing, and Don Gabriel Manto Pit Expansion", dated March 29, 2018 with an effective date of March 29, 2018:

Don Gabriel Manto Feasibility Study

• Don Gabriel Manto Feasibility Study almost triples production from current production rates, to levels of approximately 14 million pounds of copper per year over a six-year mineral reserve life

• Mine plan based on mineral reserves of 5.17 million tonnes at 0.81% CuT at a copper cut-off grade of 0.25%

• Vecchiola S.A., a related-party to MTV's minority shareholder, has been selected as the open pit mining contractor

Salt Leach Pre-Feasibility Study

• Potential to increase copper recoveries by 10%, reduce leaching cycle by up to 40% and reduce sulfuric acid consumption by up to 40%

• Estimated capital cost of USD\$6.9 million, which includes the activities from detailed engineering to the end of construction

• Implementation timeline of 11 months has an expected payback period of less than two years - expected completion is in mid-2019

Corporate Activity Highlights

• Wood plc (formerly AMEC Foster Wheeler), an independent consulting firm, has commenced a pre-feasibility level underground mining study on the Papomono Massive underground deposit and has also commenced a preliminary economic assessment level study on six ancillary deposits surrounding the Don Gabriel and Papomono Massive deposits

MTV operating performance for two months ended March 31, 2018

- Mined a total of 38 thousand tonnes of ore at a grade of 0.65% copper from the Don Gabriel open pit
- Mined a total of 52 thousand tonnes of ore at a grade of 1.10% copper from the Papomono Massive underground deposit
- Revenue for the period of \$6.0 million was generated from the sale of 827 tonnes of copper and tolling charges for mineralized material supplied by Empresa Nacional de Minería ("ENAMI"), a Chilean state-owned minerals company
- Gross profit for the period was \$254 thousand
- Cash cost per pound of copper produced for the period² was \$2.43
- Realized price per pound of copper sold was \$3.14
- Total exploration and capital expenditures for the period totaled \$192 thousand focused on engineering services for the technical reports and purchases of equipment

Company financial performance for the three months ended March 31, 2018

- As at March 31, 2018, the Company had cash and cash equivalents of \$29.1 million and net working capital⁴ of \$44.8 million
- Adjusted EBITDA³ from continuing operations was negative \$1.0 million and the unrealized loss on portfolio investments was \$6.4 million
- Net loss for the quarter was \$8.7 million or \$0.01 per share

Steve Yuzpe, CEO of SRHI remarked, "During the first quarter of 2018, we continued the development of our most significant holding, the MTV copper mine in Chile. In March, we received the first technical reports, which confirmed our estimates regarding the potential of the asset. These reports detail the open pit expansion and conversion of the processing plant to chloride leach in order to increase recoveries and shorten the leaching cycle time. Additional technical reports outlining the expansion of underground production are expected to be completed in the third quarter of 2018."

"We are very pleased with the progress the MTV management team has made on their mine plan as they begin to increase production from the open pit," continued Mr. Yuzpe. "We recently finalized the selection of a mining contractor to advance the mine plan and eventually triple production from the open pit at a lower cost. MTV's board of directors selected Vecchiola S.A. as the mining contractor and the Company views this as a positive development for shareholders, as the new contractor owns a minority stake in MTV, which provides additional incentive to deliver strong and reliable service."

Mr. Yuzpe added, "As the MTV management team transitions to the new mining contractor at the end of the second quarter of this year, we expect some production disruptions that will be evident in our quarterly results and metrics with a higher cost of production in the second and third quarters. However, these disruptions will be temporary as the change in contractors is expected to meaningfully reduce the operating costs of MTV going forward."

The following operating and financial highlights are for the three months ended March 31, 2018 with comparative information, where appropriate. In some cases, information is provided for the two months ended March 31, 2018 reflecting the information of MTV since its deemed acquisition on February 1, 2018.

	Two months ended	
	Mar. 31, 2018	
<i>Operating information</i> ¹		
Copper (MTV Operations)		
Ore Processed (thousands of tonnes)	139	
Grade (% Cu)	0.91	%
Cu Production (tonnes)	922	
Cu Production (lbs)	2,032,660	
Cash cost of copper produced ² (USD per lb)	\$ 2.43	
Realized copper price (USD per lb)	\$ 3.14	

Three months ended

<i>Financial information (in thousands)</i>	Mar. 31, 2018	Mar. 31, 2017
Revenue ¹	\$ 5,963	n/a
Gross profit ¹	\$ 254	n/a
Net loss from continuing operations	\$ (7,971)	\$ (14,400)
Net loss from discontinued operations	\$ (736)	\$ —
Net loss for the period	\$ (8,707)	\$ (14,400)
Adjusted EBITDA from continuing operations ³	\$ (1,040)	\$ (659)
Loss on portfolio investments	\$ (6,392)	\$ (13,741)
Cash provided by (used in) operating activities before working capital changes	\$ 340	\$ (816)

¹ For the period February 1, 2018 to March 31, 2018.

² Cash cost per pound of copper produced include all costs absorbed into inventory less non-cash items such as depreciation and non-site charges. It is a non-IFRS financial measure. Refer to Non-IFRS Performance Measure section of management's discussion and analysis ("MD&A") for discussion.

³ Adjusted EBITDA is earnings before interest, taxes, depreciation and amortization and further adjusted to remove the Company's loss on portfolio investments. It is a non-IFRS performance measure. Refer to Non-IFRS Performance Measure section of the MD&A for discussion.

⁴ Working capital is the Company's current assets less its current liabilities before the effect of current assets and liabilities held for sale. It is a non-IFRS performance measure. Refer to Non-IFRS Performance Measure section of the MD&A for discussion.

Conference Call Details

SRHI will hold a conference call to discuss its results for the three months ended March 31, 2018 on Thursday, May 10, 2018 at 10:00am Toronto time. To participate in the call, please dial (855) 458.4215 ten minutes prior to the scheduled start of the call and provide conference ID8692339. A taped replay of the conference call will be available until Thursday, May 17, 2018 by calling (855) 859.2056. The conference call will be webcast live at www.sprottresource.com and <https://edge.media-server.com/m6/p/i6yrz66s>

About Sprott Resource Holdings Inc.

SRHI is a publicly-listed diversified resource holding company focused on holding businesses in the natural resource industry. Based in Toronto, SRHI is a member of the Sprott Group of Companies and is managed by a team of leading resource professionals. SRHI's current businesses and holdings are concentrated in the mining and energy sectors. SRHI takes an active role in the businesses in which it operates and is committed to being a high-value partner to the management teams it backs and the co-investors who invest alongside SRHI. For more information about SRHI, please visit www.sprottresource.com.

Scientific and Technical Information and Historical Estimates

Unless otherwise indicated, scientific or technical information in this press release relating to MTV is based on information prepared by Michael G. Hester, Vice President, IMC, M.S. Mining Engineering, Gabriel Vera, President, GV Metallurgy, Metallurgical Engineer and Enrique D. Quiroga Vega, Mining Engineer, Q & Q Ltda., each a "qualified person" ("Qualified Person") as such term is defined in National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101"), and are included in the technical report filed in respect of MTV on March 29, 2018 (the "MTV Technical Report"). The MTV Technical Report has been filed under the Company's profile on SEDAR and can be found at www.sedar.com. Readers are encouraged to read the report in its entirety.

The disclosure of technical information in this press release was reviewed and approved by Michael G. Hester, Vice President, IMC, M.S. Mining Engineering, a Qualified Person.

Forward-Looking Information

Certain statements in this press release contain forward-looking information (collectively referred to herein as

the "Forward-Looking Statements") within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify Forward-Looking Statements. In particular, but without limiting the foregoing, this press release contains Forward-Looking Statements pertaining to: (i) owning cash-flowing businesses and businesses expected to cash flow in the natural resource sector; (ii) information from the MTV Technical Report; (iii) expectations regarding MTV, including the open pit expansion and conversion of the processing plant to chloride leach in order to increase recoveries and shorten leaching cycle time; (iii) expectations regarding technical reports outlining expansion of underground production; (iv) expectations related to the change in mining contractors at MTV, including triple production from the open pit at a lower cost; and (v) mineral reserves and mineral resources.

Although SRHI believes that the Forward-Looking Statements are reasonable, they are not guarantees of future results, performance or achievements. A number of factors or assumptions have been used to develop the Forward-Looking Statements, including (i) natural resource markets and the price of various natural resources, including copper, oil and coal, in the future; (ii) the continued strength in US denominated commodity prices; (iii) the continued availability of quality management; (iv) the effects of regulation and tax laws of governmental agencies will not materially change; and (v) those estimates listed under the heading "Critical Accounting Estimates and Judgments" in SRHI's Management's Discussion and Analysis ("MD&A") for the three months ended March 31, 2018. Actual results, performance or achievements could vary materially from those expressed or implied by the Forward-Looking Statements should assumptions underlying the Forward-Looking Statements prove incorrect or should one or more risks or other factors materialize, including: (i) general economic, market and business conditions; (ii) market volatility that would affect the ability to enter or exit investments; (iii) commodity price fluctuations and uncertainties; (iv) risks associated with the portfolio companies' industries; (v) those risks disclosed under the heading "Risk Management" in SRHI's MD&A for the three months ended March 31, 2018; (vi) those risks described under the heading "Risk Management" in SRHI's MD&A for the year ended December 31, 2017; and (vii) those risks incorporated by reference into SRHI's Annual Information Form dated March 29, 2018. The Forward-Looking Statements speak only as of the date hereof, unless otherwise specifically noted, and SRHI does not assume any obligation to publicly update any Forward-Looking Statements, whether as a result of new information, future events or otherwise, except as may be expressly required by applicable Canadian securities laws.

For further information:

Glen Williams
Director of Communications
T: (416) 943-4394
E: gwilliams@sprott.com

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