

Capstone Mining Second Quarter 2018 Financial Results

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(All amounts in US\$ unless otherwise specified)

VANCOUVER, July 31, 2018 /CNW/ - [Capstone Mining Corp.](#) ("Capstone" or the "Company") (TSX: CS) today announced financial results for the three and six months ended June 30, 2018. Cash flow from operating activities for the quarter was \$28.8 million or \$0.07 per share and \$61.6 million or \$0.16 per share year to date. Net income from continuing operations for the quarter was \$8.2 million or \$0.02 per share. Copper production for the quarter from continuing operations totalled 16,940 tonnes of payable copper) at a C1 cash cost¹ from continuing operations of \$1.84 per payable pound produced.

"We generated \$28.8 million of cash flow from operating activities in the second quarter, net income from continuing operations of \$8.2 million and operational performance ended the second quarter within our guided range," said Darren Pylot, President and CEO of Capstone.

"Moving forward, we expect that various optimization activities underway at Pinto Valley will result in increased production and lower costs," continued Mr. Pylot. "At Cozamin, we are very optimistic that the updated Mineral Resource estimate that was announced in the second quarter will pave the way for an extension of operations and creates the potential for a mine expansion."

Capstone and Pembridge Resources plc ("Pembridge") entered into an agreement for the sale of the Minto Mine (the "Transaction"). Given market conditions, Capstone now anticipates the Transaction will close in the third quarter. As of June 30, 2018, Minto is treated as a discontinued operation for financial reporting purposes. To comply with disclosure requirements, Capstone's results have been adjusted to exclude Minto's contribution in certain cases and are referred to throughout this press release as "continuing operations." Please refer to financial statements ended June 30, 2018 for further information.

Financial and Operational Overview

	Q2 2018	Q2 2017	2018 YTD	2017 YTD
Revenue from continuing operations ^{2, 3, 4} (\$ millions)	101.5	88.0	205.2	185.9
Copper produced by continuing operations (tonnes)	16,940	19,597	32,646	35,020
Payable copper produced by continuing operations (tonnes)	16,336	18,914	31,488	33,800
C1 cash cost per payable pound produced ¹ (\$/lb)	1.84	1.70	1.90	1.81
All-in sustaining cost per payable pound produced ¹ (\$/lb)	2.55	2.07	2.57	2.25
Net income (loss) from continuing operations (\$ millions)	8.2	11.4	18.5	(1.7)
Net income (loss) from continuing operations attributable to shareholders (\$ millions)	8.5	11.5	19.0	(1.7)
Net income (loss) from continuing operations attributable to shareholders per common share – basic (\$)	0.02	0.03	0.05	(0.00)
Adjusted net income (loss) from continuing operations ¹ (\$ millions)	8.3	(0.7)	17.7	(8.8)
Adjusted net income (loss) from continuing operations attributable to shareholders ¹ (\$ millions)	8.6	(0.6)	18.2	(8.8)
Adjusted net income (loss) from continuing operations attributable to shareholders per common share ¹ – basic (\$)	0.02	0.00	0.05	(0.02)
Cash flow from operating activities ⁴ (\$ millions)	28.8	4.1	61.6	26.1
Cash flow from operating activities per common share ^{1,4} - basic (\$)	0.07	0.01	0.16	0.07
Operating cash flow before changes in working capital ^{1, 4} (\$ millions)	30.7	26.0	55.3	50.1
Operating cash flow before changes in working capital per common share ^{1, 4} – basic (\$)	0.08	0.07	0.14	0.13
Long term debt (excluding financing fees) (\$ millions)	274.9	298.9	274.9	298.9
Net debt ¹ (\$ millions)	164.8	216.5	164.8	216.5

² Q2 2018 includes a provisional pricing adjustment of \$0.1 million (2017 – \$0.2 million) related to prior shipments, equivalent to \$nil per pound (2017 – \$nil per pound) of copper sold during the quarter. 2018 YTD includes a provisional pricing adjustment of \$(2.2) million (2017 – \$2.4 million) related to prior shipments, equivalent to \$(0.03) per pound (2017 – \$0.03 per pound) of copper sold during the six month period.

³ Q2 2018 adjusted realized copper price does not include any realized derivative losses (2017 loss - \$7.7 million or \$0.17 per pound) related to copper derivative contracts exercised during the quarter. 2018 YTD adjusted realized copper price does not include any realized derivative losses (2017 loss - \$19.3 million or \$0.21 per pound) related to copper derivative contracts exercised during the six month period.

⁴ In accordance with IFRS 5, Minto's results are excluded from revenue but included within cash flow amounts in both the current and comparative period.

Financial and Operational Highlights for the Three Months Ended June 30, 2018

- Produced a total of 16,336 tonnes of payable copper from continuing operations at a C1 cash cost¹ of \$1.84 per pound of payable copper produced.
- Revenue of \$101.5 million generated primarily from the sale of 14,384 tonnes of copper from continuing operations.
- Net income from continuing operations of \$8.2 million. The decrease was primarily attributable to lower gains on commodity derivatives, with the conclusion of all commodity derivative contracts in 2017. Earnings from mining operations were primarily due to higher realized copper prices of \$3.15 per pound.
- Cash flow from operating activities of \$28.8 million or \$0.07 per common share.
- Working capital remained materially consistent; \$186.0 million at June 30, 2018 from \$184.0 million at March 31, 2018.
- Operating cash flow before changes in working capital¹ of \$30.7 million or \$0.08 per share was higher due to higher cash flows at Pinto Valley and Cozamin, primarily due to higher copper prices at both mines and the conclusion of all commodity derivative contracts at the end of 2017, partially offset by lower operating cash flows at Minto.

Financial and Operational Highlights for the Six Months Ended June 30, 2018

- Produced a total of 31,488 tonnes of payable copper from continuing operations at a C1 cash cost¹ of \$1.90 per pound of payable copper produced.
- Revenue of \$205.2 million generated primarily from the sale of 30,346 tonnes of copper from continuing operations.
- Net income from continuing operations of \$18.5 million. The increase in net income was primarily attributable to:
 - Higher realized copper prices of \$3.06 per pound; and
 - The absence of any commodity derivative losses as Capstone has been completely unhedged since the beginning of 2018.
- Cash flow from operating activities of \$61.6 million or \$0.16 per common share.
- Working capital remained materially consistent; \$186.0 million at June 30, 2018 from \$189.4 million at December 31, 2017. Working capital at June 30, 2018 included \$4.1 million of non-current assets and non-current liabilities associated with the discontinued operation.
- Operating cash flow before changes in working capital¹ of \$55.3 million or \$0.14 per share was slightly higher due to higher operating cash flows at Cozamin and Pinto Valley, primarily due to higher copper prices, the conclusion of all commodity derivative contracts at the end of 2017, partially offset by lower operating cash flows at Minto.

Production, Costs and Additional Highlights

Pinto Valley Mine:

- Produced 13,420 tonnes of copper during Q2 2018 at a C1 cash cost¹ of \$2.15 per pound of payable copper produced and an all-in sustaining cost¹ of \$2.79 per pound of payable copper produced.
- Produced 24,841 tonnes of copper during 2018 YTD at a C1 cash cost¹ of \$2.27 per pound of payable copper produced and an all-in sustaining cost¹ of \$2.87 per pound of payable copper produced.
- At Pinto Valley, production increased compared with the first quarter as result of higher grade and improved recovery. Production remains within the guided range at the mid point of the year, with the mine plan calling for rising grade in the second half of the year versus the first half.
- In the second quarter, members of six unions at Pinto Valley voted to ratify a new four-year collective bargaining agreement effective May 30, 2018. The new agreement provides more flexibility in hiring and work practices and we expect to allow Capstone to better attract employees and reduce reliance on contractors.

Cozamin Mine:

- Produced 3,519 tonnes of copper during Q2 2018 at a C1 cash cost¹ of \$0.67 per pound of payable copper produced and an all-in sustaining cost¹ of \$1.43 per pound of payable copper produced.
- Produced 7,805 tonnes of copper during 2018 YTD at a C1 cash cost¹ of \$0.69 per pound of payable copper produced and an all-in sustaining cost¹ of \$1.43 per pound of payable copper produced.
- At Cozamin, copper production for the quarter was as planned. Zinc production increased from the prior quarter as development of zinc development ore began to ramp up from the San Rafael zinc zone.
- During the second quarter, the Company completed an updated National Instrument 43-101 compliant Mineral Resource estimate for the Cozamin Mine. Compared to Cozamin's Mineral Resources as at December 31, 2017, this latest estimate converted or added an additional 115 thousand tonnes of copper in the Indicated category in the Mala Noche Footprint reflecting all drilling for which assays have been received up to March 19, 2018.

Additional highlights:

- D. James Slattery, Capstone's Senior Vice President and CFO has announced his retirement from Capstone at the end of the year. As part of Capstone's succession plan, Raman Randhawa, Capstone's Vice President, Finance, Financial Reporting and Analysis will move into the CFO role at that time. Mr. Randhawa is a Canadian Chartered Professional Accountant with over 17 years of financial and leadership experience in the mining sector. Before joining Capstone in April 2015, he spent 13 years at Goldcorp in a series of senior management roles and prior to that was with Ernst & Young.

Outlook - 2018 Production and Cost Guidance

Capstone's 2018 consolidated production guidance from continuing operations of 71,000 tonnes ($\pm 5\%$) of copper and consolidated all-in sustaining cost¹ guidance from continuing operations of \$2.50-\$2.60 per payable pound produced remains unchanged. Pinto Valley's costs are expected to be slightly higher than guided, offset by lower than guided costs at Cozamin.

Consolidated capital expenditure guidance of \$90.0 million is unchanged.

Cozamin Brownfield exploration cost guidance has been increased from \$7.0 million to \$9.0 million to further advance the exploration program at Cozamin. Greenfield exploration cost guidance has been increased from \$3.0 million to \$3.7 million to further advance Greenfield opportunities in Chile and Mexico. As a result, total Exploration cost guidance has increased from \$10.0 million to \$12.7 million.

Minto has been excluded from consolidated production and cost guidance.

Conference Call and Webcast Details

Capstone will hold a conference call and webcast on Wednesday, August 1, 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 below. 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 quarter ended June 30, 2018, 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 June 30, 2018, in addition to the Q2 2018 webcast slides, will also be available at <http://capstonemining.com/investors/events-and-presentations/default.aspx>.

Date: Wednesday, August 1, 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: <https://event.on24.com/wcc/r/1679032/50134473A997CEF460B4AB58062FF714>

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

Replay Passcode: 519478#

The conference call replay will be available until Wednesday, August 8, 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 a portfolio of exploration properties. 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", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "believes" 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 "anticipate", "guidance", "plan" and "expected". 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 and closure of mining projects, future prices of copper and other metals, compliance with financial covenants, surety bonding, our ability to raise capital, Capstone's ability to acquire properties for growth, 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, uncertainties related to the proposed transaction for the sale of Minto Explorations Ltd., increased operating and capital costs, challenges to title to our mineral properties, maintaining ongoing social license to operate, 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, legal proceedings 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.](http://www.sedar.com)'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., Senior Vice President and Chief Operating Officer. Technical Information related to mineral exploration activities has been reviewed and approved by Brad Mercer, P. Geol., Senior Vice President, Exploration. Both are Qualified Persons under NI 43-101.

Alternative Performance Measures and Reconciliations

The items marked with a "1" are alternative performance measures and readers should refer to Alternative Performance Measures and Reconciliations in the Company's Consolidated Management's Discussion and Analysis for the quarter ended June 30, 2018 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. Accordingly, information concerning descriptions of mineralization and resources 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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