

TMAC Reports Improved Second Quarter 2018 Results and Demonstrates 2,000 Tonnes Per Day Capacity

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[TMAC Resources Inc.](#) (TSX: TMR) ("TMAC" or the "Company") today announced a net loss of \$10.3 million (\$0.11 per share), a profit from mining operations of \$1.0 million and cash flows from operating activities of \$14.6 million for the three months ended June 30, 2018.

Jason Neal, President and Chief Executive Officer of TMAC, stated, "The Company achieved significant milestones toward our targeted operating performance in the second quarter, including improved Plant recoveries of 76% in April, 83% in May and 85% in June, compared with 71% in the first quarter. Improvements in recovery contributed to record gold poured of 25,970 ounces, up 38% from the first quarter. Additionally, in mid-June we began putting material tonnage through the second concentrator line to ramp up to 2,000 tonnes per day Plant capacity, and by the end of July the Plant ran for several consecutive days at or above 2,000 tonnes per day of throughput. Our successes have not come without significant challenges, most notably, after quarter-end, we experienced significant disruption in the concentrate treatment plant contributing to ten days of downtime in the month of July alone, and frequent stops and restarts within operating days, resulting in reduced throughput and recoveries for July. Recent unreconciled daily results from the re-stabilized Plant indicate that we are trending back to recoveries consistent with May and June. However, by far the most significant step forward will be the installation of six gravity concentrators and other improvements in August, September and October that are designed to drive recoveries to 90% in the fourth quarter, and ramping up Plant capacity in advance of this retrofit is extremely important. Finally, the Nunavut Impact Review Board recommended to Crown-Indigenous Relations and Northern Affairs Canada that TMAC's proposed Madrid-Boston Project be permitted to proceed, which is key to medium-term value generation at TMAC that comes with development of the second, third and fourth mines at Hope Bay."

Maarten Theunissen, TMAC's Chief Financial Officer commented, "We have been very focused throughout the year in improving the efficiency of our balance sheet, especially leading into our third quarter trough cash balance during the annual sealift. In the second quarter, we successfully completed the diesel consignment transaction and, subsequent to quarter-end, finalized the demand bond structure. The issuance of demand bonds has released thus far approximately \$15 million from restricted cash rather than the \$25 million we had expected, and this shortfall is material to our short-term cash management efforts."

South Concentrator Line (CL2) Start-Up

As discussed in TMAC's June 14, 2018 news release, rock commissioning on the second concentrator line ("CL2") began June 3, 2018 and the commissioning of CL2 has been significantly better than the first concentrator line ("CL1"). Operations started putting material tonnage through CL2 on June 13, 2018 and CL1 and CL2 have now demonstrated the capability of processing 2,000 tonnes per day ("tpd") capacity within six weeks, with the first day the Plant as a whole exceeded 2,000 tpd being July 15, 2018, whereas CL1 took more than 50 weeks for the Plant to reliably handle 1,000 tpd. The Plant, however, experienced greater downtime than was expected in June and July, with seven days in June and ten days in July at less than 400 tpd throughput, of which three of the days in July were a planned shutdown for maintenance on our power distribution system. As a result of the downtime, there were 26,000 tonnes and 31,500 tonnes, respectively, processed in June and July. During July, the Plant processed at an average of more than 1,450 tpd during operating days and, importantly, averaged more than 1,750 tpd from July 24 to July 31, including four consecutive days at greater than 2,000 tpd. Management is confident that CL1 and CL2 can now process at their combined 2,000 tonnes per day throughput.

Extensive downtime during ramp up was primarily caused by integration of CL1 and CL2 into the concentrate

treatment plant (“CTP”) due to water balance issues and mechanical failures in the oxygen generator, detox mixing tank and detox filter press rather than any challenges in reaching 1,000 tpd on the individual concentrator lines. While the original rating of the CTP was to operate at throughput well in excess of 2,000 tpd, TMAC faced significant challenges with the higher throughput from the two concentrator lines that required minor CTP upgrades and retrofitting. The impact of greater downtime during the ramp up period has been two-fold. First, the total tonnes processed is less than forecast. Second, the starting and stopping of the Plant, including several starts and stops, even within operating days, impacted recoveries materially, with July recoveries being a disappointing 75%. As the Plant is now running with greater stability we are focused on regaining mid-80% recoveries, and recent unreconciled daily results from the re-stabilized Plant indicate this trend.

Gravity Concentrator Upgrades and Additions

There exists significant gravity recoverable gold in the ore, much of which is finer grained than the original inline pressure jigs are designed to capture. TMAC is installing six gravity concentrators in the Plant to target 90% recoveries in the fourth quarter of 2018. The extra units will allow for the continuous scavenging of the very fine gold, which is being missed by flotation, and the targeting of fine gold that is being liberated within the regrind circuit. The gold recovered by the additional gravity effort will report to the separate batch leaching circuit where more than 98% gold recovery has been demonstrated. With the diversion of more gold to the batch circuit, there should also be a reduction in gold being lost within the flotation, continuous leaching and resin circuits due to those circuits currently having to process higher gold concentrations than they were designed to process.

The success of the Falcon SB400s in each of CL1 and CL2 has validated the decision to upgrade these units with Falcon SB1350s. The Falcon SB1350s will enable us to treat the entire flow within the primary grinding circuit, rather than solely the recirculating load. The Falcon SB1350s are viable given changes in the Plant to manage water balance, which was the concern that supported the selection of the Falcon SB400 for initial installation in April. Additionally, two Falcon C2000s are expected to scavenge gravity recoverable gold and sulfides from the cyclone overflow feeding the flotation cells and further reduce losses to tailings. Two Knelson XD20s will be installed to capture fine gravity recoverable gold in the CTP regrind circuit. In conjunction with the need for greater gravity recoverable gold concentration capabilities, engineering studies were commenced in April 2018 to address the ancillary equipment required, such as screening and pumping, to address the overall water balance and offer an opportunity to introduce surge capacity between the crushing and grinding circuits which is currently one significant source of Plant instability.

The capital required for this work is approximately \$8 million and includes installation of the infrastructure necessary to support the additional concentration units and the surge bins, with approximately \$2.0 million of this amount being the acquisition of the additional gravity concentrators and their critical spares, as well as the allocation of camp overhead to the project of approximately \$1 million. Management expects the installation to be phased in and completed from August through to October 2018 with the benefits of the additional gravity concentrator units accruing in the fourth quarter of 2018.

Demand Bonds and Cash Management

While TMAC maintains the objective of replacing the current Letters of Credit (“LCs”) with surety bonds, an interim initiative undertaken in the second quarter of 2018 was the design and issuance of demand bonds, a new insurance product, to liberate cash from TMAC’s restricted cash balance, providing a similar benefit until surety bonds become accepted in Nunavut. This product was developed over several months in cooperation with CIBC and several insurance companies. When first announced, the Company had reasonably expected that at least \$25 million, an amount that remains our medium-term target, would be released from restricted cash imminently. TMAC completed the underwriting process that resulted in the issuance of \$37 million of demand bonds for the entirety of our environmental obligations on August 9, 2018 and the release of \$15 million of restricted cash being the residual after posting \$22 million as collateral with the surety underwriters. There is opportunity to release additional funds as the operations and profitability continue to improve. There is also a further \$5 million of restricted cash and related LCs for payments under TMAC’s land and mineral rights agreements, which represents the balance of the \$42 million restricted cash as at June 30, 2018, that could, in future, be collateralized with demand bonds.

The importance of the demand bonds, and potentially using conventional surety bonding in the future, in the short to medium-term includes: (i) ongoing liquidity and efficient balance sheet management, and (ii)

providing a template to reduce further working capital investment as TMAC grows and its bonding obligations rise with development of new surface infrastructure and mines.

As a result of the restricted cash released through the demand bonds being less than had been expected, combined with the unplanned downtime of the Plant in July associated with integrating the second concentrator line and a material decline in the gold price, current forecasts indicate that, should the initiatives to improve operational performance not materialize according to our reasonable expectations, or should other factors negatively impact operational performance and cash generation, there is a risk that the Company may breach certain of the covenants under the Debt Facility within the next twelve months. Management continues to evaluate all near and longer term financing alternatives. Further discussion is available in the Management's Discussion & Analysis ("MD&A") for the period ended June 30, 2018 which is available at www.tmacresources.com.

2018 OBJECTIVES

We are reiterating our objective to mine 420,000 to 470,000 tonnes in 2018, however, we are reducing the targeted grade from 11 – 14 g/t, as disclosed in January 2018, to 10 – 11 g/t based on adjustments to mine sequencing, including deferring some mining of the high-grade Hinge zone at Doris to 2019, as well as more conservative dilution assumptions. We are increasing our capital expenditures target to include Plant improvement capital, including additional gravity concentrators which were not originally budgeted, advancing from 2019 certain expenditures related to the marine discharge project as well as the previously disclosed increases to the costs of the south dam construction project which is now complete.

Our objectives also include achieving 2,000 tpd of consistent Plant throughput and recoveries of 90% before the conclusion of the fourth quarter. We are not providing specific gold production and cost guidance for the second half of 2018 at this time based on the uncertainty of the pace at which we achieve these targets through the balance of the year.

Objectives for the six months ended December 31, 2018

	Actual results for the six months ended June 30, 2018	2018 Full Year Objectives
Mining:		
Ore mined (tonnes)	151,500	420,000 – 470,000
Average grade (g/t)	9.1	10 – 11
CAPEX:		
Sustaining		
Underground development	10.9	23.0
Infrastructure and Plant improvements	22.6	49.0
Expansion	6.3	12.0

SECOND QUARTER FINANCIAL AND OPERATING RESULTS

TMAC filed its Second Quarter 2018 Financial Statements and MD&A for the period ended June 30, 2018. The documents may be found on the Company's website at www.tmacresources.com or, once filed, on SEDAR at www.sedar.com. Please read this news release in conjunction with these documents.

CONFERENCE CALL AND WEBCAST

Senior management will host a conference call on Tuesday, August 14, 2018 at 9:00 am (ET).

In order to participate in the conference call please dial (416) 915-3239 (Toronto local or international) or 1

(800) 319-4610 for toll-free within Canada and the United States at least five minutes prior to the scheduled start of the call. Alternatively, a live audio webcast of the conference call will be available at <http://services.choruscall.ca/links/tmacresources20180814.html>. An archive of the webcast will be available on the Company's website.

CONFERENCE ATTENDANCE

September 20 - 22, 2018

Jason Neal, President and Chief Executive Officer, will present on Friday, September 21, 2018 at 11:00 am MT at the 2018 Precious Metals Summit Colorado, taking place in Beaver Creek, CO, United States.

September 23 - 26, 2018

Jason Neal, President and Chief Executive Officer, will present on Monday, September 24, 2018 at 8:50 am MT at the Gold Forum / XPL-DEV 2018 Conference, taking place in Colorado Springs, CO, United States.

FORWARD-LOOKING INFORMATION

This release contains "forward-looking information" within the meaning of applicable securities laws that is intended to be covered by the safe harbours created by those laws. "Forward-looking information" includes statements that use forward-looking terminology such as "may", "will", "expect", "anticipate", "believe", "continue", "potential" or the negative thereof or other variations thereof or comparable terminology. Such forward-looking information includes, without limitation, bringing the timing for bringing Madrid and Boston into production and the throughput and recoveries ramp up at Doris throughout 2018.

Forward-looking information is not a guarantee of future performance and management bases forward-looking statements on a number of estimates and assumptions at the date the statements are made. Furthermore, such forward-looking information involves a variety of known and unknown risks, uncertainties and other factors, which may cause the actual plans, intentions, activities, results, performance or achievements of the Company to be materially different from any plans, intentions, activities, results, performance or achievements expressed or implied by such forward-looking information. See "Risk Factors" in the Company's Annual Information Form dated February 22, 2018 filed on SEDAR at www.sedar.com for a discussion of these risks.

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Contact

TMAC Resources Inc.

Jason Neal, 416-628-0216

President and Chief Executive Officer

or

Ann Wilkinson, 416-628-0216

Vice President, Investor Relations

www.tmacresources.com

or

Renmark Financial Communications Inc.

Daniel Gordon, (416) 644-2020 or (514) 939-3989

dgordon@renmarkfinancial.com

www.renmarkfinancial.com

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