

# Sprott Resource Holdings Inc. Announces 2018 Annual Results

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TORONTO, March 07, 2019 - (TSX: SRHI) - [Sprott Resource Holdings Inc.](#) ("SRHI" or the "Company") today announced its financial results for the fourth quarter and year ended December 31, 2018. SRHI is a publicly-listed company that acquires and grows a portfolio of cash-flowing businesses and businesses expected to cash flow in the natural resource sector. All currency is in US dollars. The Company's Financial Statements and Management's Discussion and Analysis ("MD&A") are available at [www.sprottresource.com](#) and [www.sedar.com](#).

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 Minera Tres Valles mining complex, in the Province of Choapa, Chile and includes fully integrated processing operations and two active mines. Ore is extracted from the Don Gabriel open pit mine ("Don Gabriel") and the Papomono underground mine ("Papomono").

"As we reflect on 2018 and looking forward to 2019, advancing the development of our core holding MTV was and continues to be our primary focus," said Steve Yuzpe, CEO of SRHI. "We spent 10 months with MTV management, engineers, geologists and metallurgists to complete our NI 43-101 compliant Technical Studies and Technical Report which were released in final form in December. The results of the Technical Studies and the Technical Report for the producing MTV copper project validated our acquisition due diligence and investment thesis."

"As information on our expansion plans were confirmed by the Technical Studies, we took immediate steps to execute the recommendations including the ordering of long-lead capital items and the hiring of a new mining contractor for Don Gabriel. This will become more evident as we execute our 2019 plan."

## 2019 Operating and Capital Guidance <sup>1</sup>

Copper production for 2019 is weighted towards the last quarter of the year based on a ramp up in operations as MTV secures project financing to complete its capital expenditure ("CAPEX") projects, including implementing the chloride leaching ("Salt Leach") process and underground development. The Company's production profile includes mineralized material from multiple sources including material from Empresa Nacional de Minería and third parties.

Capital expenditures expected during 2019 include continued work on the Don Gabriel open pit expansion, detailed engineering and development of Papomono for the incline block-caving mining method, acquisition and execution of the Salt Leach project and infill drilling.

Outlook for 2019 at MTV is as follows:

	Year ended
Operating information Copper (MTV Operations)	Dec. 31, 2017
Cu Production (tonnes)	8,250 - 8,750
Cu Production (millions of pounds)	18.2 - 19.3
Cash cost per pound produced <sup>2</sup>	\$2.20 - \$2.50
Capital Expenditures (\$ millions)	\$25 - \$30

*Guidance is based on certain estimates and assumptions, including but not limited to, mineral reserve estimates, grade and continuity of interpreted geological formations and metallurgical performance. Please refer to the technical report prepared by AMEC Foster Wheeler, a Wood company, in respect of the Project filed on December 14, 2018 (the "Technical Report") and the Company's SEDAR filings for complete risk factors.*

*Cash Cost is a non-IFRS measure - Cash costs of production include all costs absorbed into inventory less non-cash items such as depreciation and non-site charges such as trucking charges capitalized to inventory. Cash costs per pound produced are calculated by dividing the aggregate of the applicable costs by copper pounds produced.*

#### Fourth Quarter 2018 and Full Year 2018 Highlights

- Fourth quarter production of 3.5 million pounds of 99.99% pure copper cathodes continues quarter-over-quarter production growth for 2018
- Production for the eleven months ended December 31, 2018 was 11.9 million pounds of 99.99% pure copper cathodes
- Fourth quarter cash cost of copper produced of \$2.27 per pound trends below 2018 annual cash cost of copper produced of \$2.37 per pound
- As at December 31, 2018, the Company had cash and cash equivalents of \$13.5 million and working capital of \$19.5 million, \$4.2 million of which was cash receivable from the Company's agent for its Loan Investment (see below)
- Net loss for the quarter was \$14.1 million or \$0.43 per share and net loss for the year was \$32.7 million or \$0.97 per share which was primarily related to non-cash, unrealized losses from the Company's portfolio investments
- Adjusted EBITDA from continuing operations for the quarter was \$0.3 million or \$0.01 per share and EBITDA from continuing operations for the year was negative \$2.6 million or negative \$0.08 per share
- With the arrival of the new contractor for Don Gabriel, MTV's average monthly tonnes crushed for the second half of 2018 exceeded 100,000 tonnes per month; volumes not reached at the mine since 2013
- On November 2, 2018 the Company announced that AMEC Foster Wheeler, a Wood company, an independent consulting firm, completed technical studies ("Technical Studies") on MTV which was reported in a consolidated National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101") compliant technical report (the "Technical Report") released on December 14, 2018. The Technical Studies completed over the past 10 months include a:
  - Mineral Resource and Mineral Reserve estimate for the Don Gabriel and Papomono deposits;
  - Preliminary Feasibility Study ("PFS") for the implementation of chloride leaching;
  - Feasibility Study for the expansion of the Don Gabriel Manto open pit;
  - PFS for the underground exploitation of the Papomono Masivo zone; and,
  - Preliminary Economic Assessment ("PEA") on a subset of MTV's mineral resources.
- The Technical Report resulted in the following:
  - Base Case pre-tax and after-tax net present value ("NPV") discounted at 8% per annum of \$87 million and an internal rate of return ("IRR") of 93% based on a long-term flat copper price of \$2.75 per pound
  - PEA Case pre-tax and after-tax NPV discounted at 8% per annum of \$129 million and an IRR of 131% based on a long-term flat copper price of \$2.75 per pound
- On July 9, 2018, the Company provided a short-term senior secured credit facility of \$7.2 million (the "Loan Investment") to a private royalty company to support their business plan. The Loan Investment was repaid in full on December 31, 2018 to the Company's agent and received in January 2019, yielding a cash IRR of 32%.
- On August 13, 2018, the Company completed a consolidation of its share capital on the basis of twenty (20) existing common shares for one (1) new common share.
- On February 11, 2019, the Company announced it had formed a Special Committee of the Board comprised solely of the Company's four Independent Directors which is chaired by Terry Lyons, the current Chairman of the Board. The purpose of the Special Committee is to review and evaluate potential measures to address the Company's market valuation. This review will be comprehensive and will look at all measures to maximize shareholder value. The Special Committee has engaged financial and legal advisors to assist in its evaluation.

#### Summary Operating and Financial Results

The following operating and financial highlights are for the three months and year ended December 31, 2018 with comparative information, where appropriate. In some cases, information is provided for the eleven

months ended December 31, 2018 reflecting the information of MTV since its deemed acquisition on February 1, 2018.

<i>Operating information</i> <sup>1</sup>	Three months ended		Eleven months ended	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Copper (MTV Operations)				
Total ore mined (thousands of tonnes)	235	n/a	737	n/a
Total waste mined (thousands of tonnes)	816	n/a	1,696	n/a
Ore Processed (thousands of tonnes)	298	n/a	968	n/a
Grade (% Cu)	0.60	% n/a	0.69	% n/a
Cu Production (tonnes)	1,596	n/a	5,381	n/a
Cu Production (thousands of pounds)	3,518	n/a	11,864	n/a
Cash cost of copper produced <sup>2</sup> (USD per pound)	\$ 2.27	n/a	\$ 2.37	n/a
Realized copper price (USD per pound)	\$ 2.78	n/a	\$ 2.90	n/a

<sup>1</sup> For the period February 1, 2018 to December 31, 2018.

Cash cost per pound of copper produced include all costs absorbed into inventory less non-cash items such

<sup>2</sup> as depreciation and non-site charges. It is a non-IFRS financial measure. Refer to Non-IFRS Performance Measure section of the MD&A for discussion.

<i>Financial information (in thousands)</i>	Three months ended		Year ended
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018
Revenue <sup>1</sup>	\$ 10,888	n/a	\$ 32,700
Gross profit (loss) <sup>1</sup>	\$ (438 )	n/a	\$ (1,629 )
Net loss from continuing operations	\$ (13,631 )	\$ 8,443	\$ (29,716 )
Net loss from discontinued operations <sup>1</sup>	\$ (517 )	\$ &mdash;	\$ (2,936 )
Net loss for the period	\$ (14,148 )	\$ 8,443	\$ (32,652 )
Adjusted EBITDA from continuing operations <sup>2</sup>	\$ 271	\$ (1,251 )	\$ (2,562 )
Gain (loss) on portfolio investments	\$ (12,631 )	\$ 9,694	\$ (22,603 )
Cash provided by (used in) operating activities before working capital changes	\$ 525	\$ (31,844 )	\$ (1,636 )

<sup>1</sup> For the period February 1, 2018 to December 31, 2018.

Adjusted EBITDA is earnings before interest, taxes, depreciation and amortization and further adjusted to

<sup>2</sup> remove the Company's gain (loss) on portfolio investments. It is a non-IFRS performance measure. Refer to Non-IFRS Performance Measure section of the MD&A for discussion.

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 reported financial results. Readers are cautioned that filed reports of the Company prior to 2018 are presented in Canadian dollars.

#### Conference Call and Webcast Details

SRHI will hold a conference call and webcast to review its results for the year ended December 31, 2018 on Thursday, March 7, 2019 at 4pm Toronto time. To listen to the call, please dial (855) 458.4215 ten minutes

prior to the scheduled start of the call and provide conference ID:3784274. A taped replay of the conference call will be available until Thursday, March 14, 2018 by calling (855) 859.2056. The conference call will be webcast at [www.sprottresource.com](http://www.sprottresource.com) and <https://edge.media-server.com/m6/p/62wwfcr>.

#### Qualified Persons

Scientific or technical information in this press release relating to MTV is based on information prepared by Dr Antonio Luraschi, RM CMC, Manager of Metallurgic Development and Senior Financial Analyst, Wood; Mr Sergio Navarrete, RM CMC, Mining Engineer, Wood; Mr Alfonso Ovalle, RM CMC, Mining Engineer, Wood; Mr Michael G. Hester, FAusIMM, Vice President and Principal Mining Engineer, Independent Mining Consultants, Inc.; Mr Enrique Quiroga, RM CMC, Mining Engineer, Q&Q Ltda; Mr Gabriel Vera, RM CMC, Metallurgical Process Consultant, GVMetallurgy; and Mr Sergio Alvarado, RM CMC, Consultant Geologist, General Manager and Partner, Geoinvestment Sergio Alvarado Casas E.I.R.L., all of whom are independent "Qualified Persons" as such term is defined in National Instrument 43-101 – Standards of Disclosure for Mineral Projects. The Technical Report was filed by SRHI on SEDAR on December 14, 2018. Readers are encouraged to read the Technical Report in its entirety.

#### Notes on Preliminary Economic Assessments

Please note that the PEA Case is preliminary in nature, that it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the PEA Case will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

#### About MTV

MTV is a fully permitted operating mining complex located nine kilometers from Salamanca in Region IV of Chile. MTV comprises two main deposits: Papomono (underground) and Don Gabriel (open pit). The mine is currently operating and producing high grade copper cathode. The mine has significant infrastructure in place with a crushing and processing plant with nameplate capacity of 7,000 and 6,000 tonnes per day, respectively. The plant is designed to produce up to 18,500 tonnes per annum of copper cathodes. For more information about MTV, please visit <http://www.mineratresvalles.com>.

#### About Sprott Resource Holdings Inc.

SRHI acquires and grows a portfolio of cash-flowing businesses and businesses expected to cash flow in the natural resource sector. Based in Toronto, SRHI is part of the Sprott Group of Companies and seeks to deploy capital to provide our investors with exposure to attractive commodities. For more information about SRHI, please visit [www.sprottresource.com](http://www.sprottresource.com).

#### Non-GAAP Financial Measures

"Cash costs", "Adjusted EBITDA" and "Working Capital" are non-GAAP financial performance measures. Further details on non-GAAP measures are provided in the MD&A accompanying SRHI financial statements filed from time-to-time on SEDAR at [www.sedar.com](http://www.sedar.com).

#### Cautionary Statement Regarding Forward-Looking Information

Certain statements in this news release, contain forward-looking information (collectively referred to herein as the "Forward-Looking Statements") within the meaning of applicable Canadian 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 news release contains Forward-Looking Statements pertaining to: expected cash flows; advancing the development of MTV; 2019 operating and capital guidance, including copper production, operations at MTV, MTV securing project financing to complete its CAPEX projects, CAPEX expected during 2019 and outlook for 2019 at MTV; expectations regarding the Special Committee's

review; mineral resource and mineral reserve estimates; the Technical Studies and Technical Report; and general business and economic conditions.

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: there being no significant disruptions affecting the development and operation of MTV; the availability of certain consumables and services and the prices for power and other key supplies being approximately consistent with assumptions in the Technical Studies; labour and materials costs being approximately consistent with assumptions in the Technical Studies; fixed operating costs being approximately consistent with assumptions in the Technical Studies; permitting and arrangements with stakeholders being consistent with current expectations as outlined in the Technical Studies; certain tax rates, including the allocation of certain tax attributes, being applicable to MTV; the availability of financing for MTV's planned development activities; assumptions made in mineral resource and mineral reserve estimates and the financial analysis based on the mineral reserve estimate and in the case of the PEA, the mineral resource estimate, including (as applicable), but not limited to, geological interpretation, grades, commodity price assumptions, metallurgical performance, extraction and mining recovery rates, hydrological and hydrogeological assumptions, capital and operating cost estimates, and general marketing, political, business and economic conditions. 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) possible variations in grade or recovery rates; (ii) copper price fluctuations and uncertainties; (iii) delays in obtaining governmental approvals or financing; (iv) risks associated with the mining industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of estimates and projections relating to mineral reserves, production, costs and expenses; and labour, health, safety and environmental risks) and risks associated with the other portfolio companies' industries; (v) performance of the counterparty to the ENAMI Tolling Contract; (vi) risks associated with investments in emerging markets; (vii) general economic, market and business conditions; (viii) market volatility that would affect the ability to enter or exit investments; (ix) failure to secure financing in the future on terms acceptable to the Company, if at all; (x) commodity price fluctuations and uncertainties; (xi) those risks disclosed under the heading "Risk Management" in SRHI's Management's Discussion and Analysis for the year ended December 31, 2018; and (xii) those risks incorporated by reference into SRHI's Annual Information Form dated March 6, 2019. See also the cautionary language under "Notes on Preliminary Economic Assessments" above. 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.

#### Cautionary Note to United States Investors Concerning Estimates of measured, indicated and inferred mineral resources

This news release may use the terms "measured", "indicated" and "inferred" mineral resources. United States investors are advised that while such terms are recognized and required by Canadian regulations, the United States Securities and Exchange Commission does not recognize them. "Inferred mineral resources" have a great amount of uncertainty as to their existence, and as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or other economic studies. United States investors are cautioned not to assume that all or any part of measured or indicated mineral resources will ever be converted into mineral reserves. United States investors are also cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable.

For further information:

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

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