

# Sprott Resource Holdings Inc. Business Update and Reports 2019 Annual Results

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TORONTO, March 25, 2020 - (TSX: SRHI) - [Sprott Resource Holdings Inc.](#) ("SRHI" or the "Company") today announced its operating and financial results for the year ended December 31, 2019. The Company's principal operating business is its 70% equity interest in the producing copper mine Minera Tres Valles ("MTV") in Salamanca, Chile. The Company's financial statements and management's discussion and analysis ("MD&A") are available at [www.sprottresource.com](http://www.sprottresource.com) and [www.sedar.com](http://www.sedar.com).

"The events currently unfolding in our global society are generational and moving at a pace unmatched in recent history," stated Michael Harrison, Interim President and CEO of SRHI. "The outbreak of the Coronavirus (COVID-19) has created near-term copper price uncertainty and significant losses across the world's financial marketplace and social dislocation. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. Countries have closed borders, travel is all but fully banned, health care systems are threatened to be overrun and crucial medical supplies are in high demand. The Company and its primary operating subsidiary, MTV, are not immune to this ongoing dynamic."

Mr. Harrison continued, "MTV had a record production at over 1,800 tonnes of copper cathodes in the fourth quarter of 2019 and met revised guidance for the year with production of 7,055 tonnes and a cost per pound of \$2.66. However, events including the continuing USA-China trade dispute, historic drought conditions, social unrest and most recently, the COVID-19 pandemic have created significant operating and financial challenges for MTV. Earlier this week, we announced that Chile declared a state of catastrophe over the COVID-19 outbreak and that officials of Salamanca formally requested MTV to temporarily halt or restrict operations as a measure to slow the advance of the pandemic. Effective immediately, MTV began implementing measures to respect the requests of the leaders of Salamanca."

Mr. Harrison added, "While our mine plan is sustainable longer term at higher prices than today, the immediate need for support from our significant stakeholders is paramount to unlocking the value of MTV. It is critical that all our primary stakeholders participate in providing MTV the financial flexibility to execute its evolving 2020 mine plan where the construction and development of the Papomono Massive incline block caving is undoubtedly the most important part of MTV's future success. We believe these low copper prices and market uncertainties are short term and fully anticipate the copper price recovering later in 2020."

Mr. Harrison continued, "The Salt Leach project was completed during the fourth quarter of 2019 and we are assessing alternatives to accelerate the application of Salt Leach to the entire leaching solution to realize its benefits sooner than initially planned. There were also modifications made to the crusher configuration to optimize grind size which has created additional efficiency to the operation. Lastly, as previously reported, we established MTV's \$45 million long-term credit facility (the "Facility") financing in December, which had been in process for the majority of 2019."

"The Company is not in a position to provide guidance for 2020 given the broad level of uncertainty and, more particularly, the quickly developing issues impacting MTV. We are working to impose restrictions in our mining operations in cooperation with the Salamanca community and are reviewing our assumptions and mine sequencing alternatives for 2020. The current volatility in the copper price spot market together with continuing Chilean social unrest, Chile's prolonged drought and the escalating COVID-19 pandemic has created significant liquidity challenges for MTV, which we cannot resolve on our own," concluded Mr. Harrison.

Business Update

*Social Unrest*

In October 2019, social unrest in Chile erupted throughout the country. Deaths, vandalism and looting were reported in Santiago, and also in mining jurisdictions. MTV reported a non-mining fatality and one incident of minor damage that resulted in no harm to its employees and no impact to its operations. As at December 31, 2019, the social unrest had briefly retreated but its impacts on Chile's economy continued with unexpected and unintended consequences. The short-term finance market in Chile has been severely affected by these continuing events and the pending constitutional plebiscite. This geopolitical uncertainty has reduced the attractiveness of Chile as an investment destination for capital providers resulting in a marked decrease in available short-term working capital finance solutions for MTV and its suppliers. The reduction in these finance solutions has put pressure on the mine operations, including the available supply of critical items such as sulphuric acid, diesel and electricity. Contractors and suppliers have also been affected by this issue and have transferred some of that stress to MTV.

### *Chile's Drought*

The province of Coquimbo, where the mine is located, is suffering through a severe drought, the worst in 60 years, which is affecting fluid flow through the heaps and copper production. MTV owns and leases water rights that allow it to take up to 81 litres per second ("l/s") of water from various sources including the Choapa River, however the reduced flow does not meet current requirements of 12 l/s.

Water flow from snow-melt typically rises in October and November. With reduced snow and rain this past Chilean winter, there has not been sufficient recharge to the Choapa River. The Chilean government declared an agricultural emergency in September for livestock farmers in the region, however there was little indication that the expected rise in water flow would not occur.

In 2020, the water challenges intensified and MTV immediately instituted mitigating measures including exploring other sources of water through discussions with local community members and surveying MTV's property for probable well locations. Subsequently, MTV secured a portion of its water shortage and identified other sources of water on the MTV property that should yield the required water flows to maintain its revised planned operations. However, should MTV not secure these additional water amounts and/or the drought conditions exist for the foreseeable future, further adjustments to the operations at MTV will be required.

### *Coronavirus (COVID-19)*

The outbreak of the Coronavirus has created near-term copper price uncertainty and significant losses across the world's financial marketplace and social dislocation. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. On March 18, 2020, Chile declared a state of catastrophe over the COVID-19 outbreak that restricts freedom of movement within the country. Chile's armed forces are patrolling the nation collaborating with Chilean health officials. On March 21, 2020, officials of Salamanca formally requested MTV to temporarily halt or restrict operations as a measure to slow the advance of the pandemic and on March 23, 2020, the Company announced measures that will be immediately implemented at MTV. Salamanca and its surrounding areas supply over 70% of the MTV mine site's workforce. As of March 23, 2020, there was a single case of COVID-19 in Salamanca. The extent of the effect of the COVID-19 pandemic on the Company's business activities is uncertain. This has had a direct effect on MTV's budgeted cash flows and evolving mine plan for at least 2020, the extent of which cannot be accurately predicted at this time.

### *Revised Mine Plan*

The combination of the aforementioned events has provided MTV with a challenging backdrop to conclude on a revised mine plan. MTV has proposed a revised mine plan which is still subject to approval by the board of directors (the "Board") of the Company. However, with recent escalating restrictions by government officials in Chile as a result of the COVID-19 pandemic, MTV management are refocusing their efforts to propose a further revision to the plan (the "Plan"). As part of this Plan, the Company and MTV announced on March 23, 2020 the following changes to its operations with additional actions continuing to be assessed.

- Temporarily halt the majority of all mining operations;
- Significantly reduce the employee base required to maintain minimal operations;

- Maintain the necessary staff to operate and monitor the leach pad;
- Maintain the necessary staff to operate its solvent-extraction and electrowinning processing plant where its copper cathodes are produced; and,
- Maintain the necessary staff to conduct preventative maintenance of key equipment.

These events have contributed to increased financial stresses on MTV and its significant stakeholders are cooperatively working towards a fulsome solution. A significant part of the Plan that may be considered, and subject to the recovery of the copper price, is the development and construction of the Papomono Massive incline block caving in 2020 with expected completion in 2021. This is an important project given the high grade ore and low per tonne cost once in production. However, additional capital is now required to execute the Papomono Massive incline block caving and fund current expected operations and all significant stakeholders are participating in providing a funded solution to accomplish this.

### *Expansion Projects*

The Company continues to focus on completing the three expansion projects identified in the technical report prepared by AMEC Foster Wheeler, a Wood company, in respect of MTV with an effective date as of October 4, 2018 (the "Technical Report"); the Don Gabriel expansion, the Salt Leach project and the development and construction of the Papomono Massive incline block caving.

The expansion of Don Gabriel began in the second half of 2018 and has been supported by the Company's working capital and MTV's operational cash flows. This expansion has progressed well with \$1.9 million of capital expenditures incurred in 2018 for pre-stripping of phases 2, 3 and 5 (7 mining phases in total). In 2019, a further \$6.4 million of expenditures were incurred in phases 4, 5, 6 and 7. Starting in the first half of 2018, ore movement at Don Gabriel has more than tripled to an average over 100,000 tonnes per month in 2019.

The implementation of the chloride leaching ("Salt Leach") project development and construction commenced in mid-2018, following the recommendations outlined in a Preliminary Feasibility Study filed in March 2018. Preliminary results were supportive of the expected increase in recoverable copper, reduced leaching time and reduced acid consumption. During the three months ended December 31, 2019, MTV completed the Salt Leach infrastructure that allowed for an increased dosage of salt to its sulfide ore. MTV is assessing alternatives to accelerate the application of Salt Leach to the entire leaching solution to realize its benefits sooner than initially planned.

As outlined in the Technical Report, the development and construction of Papomono Massive and ancillary deposits provides for \$21 million in capital expenditures over 18 months. Although some of this amount has been incurred, the majority of these capital expenditures are expected to be completed in 2020, subject to the final approval of the mine plan, with increased production at the higher-grade Papomono Massive underground project to commence in 2021.

Upon MTV completing the aforementioned capital projects, cash flows generated from this expansion should provide MTV the ability to exploit the exploration upside of its significant land package of over 44,334 hectares of mineral rights and more than 100 copper occurrences identified that require more exploration effort.

### *2020 Guidance*

The Company is not in a position to provide guidance for 2020 given the quickly developing issues impacting MTV. The current volatility in the copper price spot market together with continuing Chilean social unrest, Chile's prolonged drought and the lower copper price due to the escalating COVID-19 pandemic has created significant liquidity challenges for MTV.

As a result, there is significant doubt about MTV's ability to continue as a going concern. The continuation of MTV as a going concern is dependent on ongoing discussions with its Lenders, shareholders (including the Company) and its critical suppliers to provide additional financial support through additional capital injections and revised supplier payment terms. This Plan is expected to be completed during the second quarter of 2020, and is expected to generate sufficient liquidity and flexibility to finance operations into 2021 when

mining operations are expected to generate cash flow. Management believes the Plan is likely to be completed, however there is no assurance that it will be. Without this Plan, MTV may be forced to further curtail its operations.

### *Special Committee*

On February 11, 2019, the Board of Directors of the Company formed a special committee of the Board ("Special Committee") comprised solely of the Company's four Independent Directors chaired by Terry Lyons, the current Chairman of the Board. The Special Committee was established to review and evaluate potential measures to address the Company's market valuation. The review was comprehensive and evaluated all measures to maximize shareholder value. The Special Committee engaged financial and legal advisors to assist in its evaluation.

The Company announced on February 18, 2020, that the Special Committee had been dissolved but its strategic review continues at the Board level. The conclusion of the Special Committee was to complete a transition to focus the Company's investment thesis as a pure-play copper-mining company, to continue to pursue alternatives to divesting its portfolio of investments in order to further support MTV and to continue to look for strategic alternatives for the Company.

### 2019 Results

The results of MTV's mining operation for 2019 is provided below compared to both the initial guidance and revised guidance previously reported. SRHI updated guidance at the end of the third quarter of 2019 for copper production, cash cost per pound produced and capital expenditures reflecting several factors both positive and negative, that collectively resulted in a reduced forecast for the remainder of 2019.

1. For the first half of 2019, at our Don Gabriel mine, 70% of the material delivered to the crushing plant was not in our reserve mine plan. Blast-hole drill assays determined that the material outside of the reserve mine plan was ore-grade material, and was mined and processed. The benefit of additional material above cut-off grade reduces reserve depletion, and is specific to the outer halo of the Don Gabriel deposit, although negatively impacts the contained copper production due to its lower grade, and reduces precision on forecasting production;
2. Mechanical issues, specifically the tertiary and quaternary crusher downtimes resulted in suboptimal crush size for the application of the Salt Leach extending the recovery curve;
3. Operating costs have increased through the year largely due to increasing input costs for diesel and reagents and elevated consumption of acid in 2019;
4. The delay in securing the Facility negatively impacted the deployment of capital expenditures and advancement of the current mine plan; and,
5. Lower equipment availability by contractors created compounding operational issues.

	2019 Results	Revised Guidance	November 2019	Initial Guidance
Cu production (tonnes)	7,055	7,000 - 7,400		8,250 - 8,750
Cu production (millions of pounds)	15.6	15.4 - 16.3		18.2 - 19.3
Cash cost per pound produced <sup>1</sup>	\$2.66	\$2.50 - \$2.80		\$2.20 - \$2.50
Capital expenditures (\$ millions)	\$14	\$15 - \$17		\$25 - \$30

<sup>1</sup> See *Non-IFRS Performance Measures*

<sup>2</sup> *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 and the Company's SEDAR filings for complete risk factors.*

### *Operational Update*

<i>Operating information</i>	Three months ended		Year ended	Eleven months ended	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018	
Copper (MTV Operations)					
Total ore mined (thousands of tonnes)	313	235	1,210	737	
Total waste mined (thousands of tonnes)	1,678	816	6,196	1,696	
Ore Processed (thousands of tonnes)	364	298	1,433	968	
Grade (% Cu)	0.64	% 0.60	% 0.65	% 0.69	%
Cu Production (tonnes)	1,879	1,596	7,055	5,381	
Cu Production (thousands of pounds)	4,142	3,518	15,555	11,864	
Inventory build (\$000s)	\$ 1,320	\$ 1,522	\$ 12,129	\$ 6,506	
Cash cost of copper produced <sup>1</sup> (USD per pound)	\$ 2.82	2.27	\$ 2.66	\$ 2.37	
Realized copper price (USD per pound)	\$ 2.68	2.78	\$ 2.66	\$ 2.90	

<sup>1</sup> See *Non-IFRS Performance Measures*

The Company has previously communicated its focus for MTV; the implementation of the Salt Leach, the expansion of its Don Gabriel open pit mine and the development and expansion of its Papomono underground mine.

#### *Salt Leach Project Completed - Full Dosage Application in Process*

Salt Leaching involves adding rock salt (NaCl) in the agglomeration stage of the crushing plant allowing the mixed sulphide and oxide material to cure in the heap for 15 to 30 days before application of sulphuric acid. The oxidation of sulphide material in the heaps is expected to improve copper recoveries by approximately 8%, reduce acid consumption, and decrease the leach time by approximately 40%. These changes are expected to reduce cash costs and improve MTV's working capital position.

Mechanical issues during the third quarter of 2019 interrupted the initial leach cycle on the first ore under Salt Leach. During the three months ended December 31, 2019, MTV completed the Salt Leach infrastructure that allowed for an increased dosage of salt to its sulfide ore. There were five days of downtime at the plant in the fourth quarter of 2019 in order to install the tie-ins needed to complete the installation of the pumps and equipment for the Salt Leach. The final installation was completed in December 2019 with no interruption to the SX-EW plant operations. MTV is assessing alternatives to accelerate the application of Salt Leach to the entire leaching solution to realize its benefits sooner than initially planned.

In the fourth quarter of 2019, the configuration of the crusher was modified to a three-stage configuration where either the tertiary or quaternary crusher is utilized in the circuit depending on the type of ore being put through the SX-EW plant in order to optimize grind size. This application is expected to continue going forward producing efficiencies to the operation.

#### *Production advancement including continued expansion at Don Gabriel*

During the fourth quarter of 2019, MTV produced 4.1 million pounds of 99.99% pure copper cathodes at a cash cost of \$2.82 per pound (see *Non-IFRS Financial Measures*) and sold 3.3 million pounds at an average sales price of \$2.68 per pound. For the full year, MTV produced 15.6 million pounds of 99.99% pure copper cathodes at a cash cost of \$2.66 per pound (see *Non-IFRS Financial Measures*) and sold 12.6 million pounds at an average sales price of \$2.66 per pound. MTV had approximately \$2.5 million of finished goods inventory at December 31, 2019.

Total material crushed during the year increased to 1.4 million tonnes as a result of increased open pit operations, primarily from Don Gabriel, Cumbre and the Rajo Norte open pit mines. This compares to 1.0 million tonnes in the prior year's eleven-month period.

Don Gabriel is the largest contributor of ore to MTV and together with ancillary deposits, ore movement continued at more than 100,000 tonnes per month for the second quarter in a row. The Rajo Norte and Cumbre open pit mines are two of the ancillary deposits that contribute to copper production as shown in the Preliminary Economic Assessments Case (the "PEA Case") of the Technical Report and demonstrates the flexibility in MTV's operations. Open pit ore grade has increased from 0.57% for the three months ended December 31, 2018 to 0.62% for the three months ended December 31, 2019 as it did in the full year also, increasing from 0.60% for the year ended December 31, 2018 to 0.61% for the year ended December 31, 2019.

Ore production from the Papomono underground was approximately 300 tonnes per day for the three months ended December 31, 2019 and the three months ended December 31, 2018. These tonnes are extracted ore from resource blocks adjacent to the Papomono Massive deposit in advance of future block caving operations. Tonnes extracted at the Papomono underground was approximately 400 tonnes per day for the year ended December 31, 2019 compared to approximately 490 tonnes per day for the eleven months ended December 31, 2018. Mining activity was reduced due to changes in mine sequencing during 2019, specifically the focus on mining and expanding Don Gabriel.

Cost per pound produced (see *Non-IFRS Financial Measures*) increased to \$2.82 for the three months ended December 31, 2019 compared to \$2.27 for the comparable period of last year. The increase in cost per pound is driven by an increase in the strip ratio (2.6:1 in the fourth quarter of 2019 compared to 1.8:1 in the fourth quarter of 2018) as well as the cost and consumption of peroxide, salt and sulphuric acid. Over the past year, sulphuric acid production in Chile was significantly lower with the major smelters in Chile undergoing retrofit to meet new emission standards. At the end of 2018, MTV entered into a one year contract to ensure delivery from suppliers. Spot prices continue to trend downwards and MTV is expected to benefit from lower sulphuric acid prices in 2020. Throughout the implementation of the Salt Leach, new costs have also been incurred for higher peroxide on initial implementation as well as the added cost of salt over the quarter. However, we expect the consumption of sulphuric acid to decrease as the Salt Leach reaches its full potential. For the year ended December 31, 2019, cost per pound produced increased to \$2.66 from \$2.37 from the comparable period of last year for the same reasons as discussed above.

MTV continues to find additional ore above cut-off grade on the margins of the Don Gabriel ore body and this incremental ore mined provided additional material to the crusher which had excess capacity. The configuration of the crusher was modified in the fourth quarter to a three-stage configuration where either the tertiary or quaternary crusher was utilized in the circuit depending on the type of ore being put through the plant in order to optimize grind size. This application is expected to continue going forward producing efficiencies to the operation.

#### *Capital cost, financing and Papomono underground development and expansion*

The Company continued funding the expansion projects at MTV including \$3.5 million of capital expenditures primarily for waste stripping at Don Gabriel and costs for the Salt Leach project. During the quarter, 1.7 million tonnes of waste and pre-strip were moved, compared to 0.8 million tonnes moved in the prior year's quarter illustrating MTV's execution of its mine expansion.

Capital expenditures year-to-date of \$14.1 million represent front-caving development costs, capitalized stripping costs, Salt Leach project costs and purchases of equipment.

In December 2019, MTV entered into a secured prepayment facility (the "Facility") with Anglo American Marketing Limited and a fund under the investment management of Kimura Capital LP (referred to as the "Lenders"). Under the Facility, the Lenders made available to MTV a four-year term loan facility in an aggregate amount equal to \$45 million to be applied towards the financing or repayment of amounts payable or paid in respect of costs related to the MTV copper project. Interest on the Facility is incurred at a rate equal to the three-month USD LIBOR plus (i) 8.00% per annum for up to the first 12 months depending on certain conditions; and (ii) 6.25% per annum thereafter.

A significant portion of the development and construction of the Papomono Massive incline block caving is provisionally planned to be performed in 2020 with expected completion in 2021. This is subject to the approval of a mine plan by all significant stakeholders of MTV including arranging suitable financial support from all primary stakeholders of MTV. MTV plans to extract ore using the incline block caving method, which

is expected to ultimately increase underground production beyond 2,000 tonnes per day halving unit-mining costs.

### Health and safety

For the three months ended December 31, 2019, MTV completed another quarter without a Lost-Time Incident (?LTI?). In January 2019, an employee did suffer an LTI, and is expected to fully recover. The Company and MTV devote considerable time and effort to ensure that our workers and contractors return safely to their families after each shift. Our safety statistics are below country and peer averages, and MTV pro-actively engages in education and assessment to achieve a goal of zero lost-time incidents. MTV's Injury Frequency rate was 1.5 per million hours worked at the end of 2019.

### Community and environment

MTV works with the local communities, and the MTV Foundation continued the funding of projects agreed by the MTV Foundation board, which is largely composed of community representatives to help MTV understand the true needs of its neighbors, such as starting an eco-friendly cooperative at a local school. MTV's ore purchase program ensures support from local miners, buying ore from over 26 providers and supporting the development of over 300 small-scale miners through local mining unions. Furthermore, MTV promotes strong ties with authorities by offering site visits and frequently attending events.

### Financial Results

<i>Financial information (in thousands)</i>	Three months ended		Year ended
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2018
Revenue <sup>1</sup>	\$ 9,352	\$ 10,888	\$ 35,688
Gross loss <sup>1</sup>	\$ (4,454 )	\$ (438 )	\$ (13,376 )
Net loss from continuing operations	\$ (21,398 )	\$ (13,631 )	\$ (45,347 )
Net loss from discontinued operations <sup>1</sup>	\$ (4,427 )	\$ (517 )	\$ (6,855 )
Net loss for the period	\$ (25,825 )	\$ (14,148 )	\$ (52,202 )
Adjusted EBITDA from continuing operations <sup>2</sup>	\$ (355 )	\$ 271	\$ (5,038 )
Loss on portfolio investments	\$ (1,358 )	\$ (12,631 )	\$ (9,936 )
Impairment of non-current assets	\$ 13,666	\$ ?	\$ 13,666
Write-down of inventory	\$ (2,324 )	\$ ?	\$ (4,383 )
Cash provided by (used in) operating activities before working capital changes	\$ (19,174 )	\$ 525	\$ (23,671 )

<sup>1</sup> Comparative figures in the year ended column are for the period February 1, 2018 to December 31, 2018

<sup>2</sup> See Non-IFRS Financial Measures

### Financial results summary

Revenues of \$9.4 million for the three months ended December 31, 2019 were generated predominantly from the sale of copper cathodes and tolling charges for mineralized material supplied by ENAMI with approximately \$2.5 million of finished goods inventory at December 31, 2019. Copper cathodes sold for the three months ended December 31, 2019 of 1,504 tonnes was lower than the comparative quarter in 2018 of 1,700 tonnes due to the timing of sales.

The Company reported a quarterly net loss of \$25.8 million or \$(0.76) per share. This result includes a net loss from discontinued operations of \$4.4 million, impairment of non-current assets of \$13.7 million, inventory write-down of \$2.3 million and a loss on portfolio investments of \$1.4 million. Adjusted EBITDA (see Non-IFRS Financial Measures) from continuing operations for the quarter was negative \$0.4 million or \$(0.01) per share. In the fourth quarter of 2018, the Company reported a net loss of \$14.1 million or \$(0.43) per share and Adjusted EBITDA from continuing operations of negative \$0.3 million or \$0.01 per share.

In 2019, the Company reported a net loss of \$52.2 million or \$(1.53) per share. This result includes a net loss from discontinued operations of \$6.9 million, impairment of non-current assets of \$13.7 million, inventory write-down of \$4.4 million and a loss on portfolio investments of \$9.9 million. Adjusted EBITDA (see Non-IFRS Financial Measures) from continuing operations for the year ended December 31, 2019 was negative \$5.0 million or \$(0.15) per share. In 2018, the Company reported a net loss of \$32.7 million or \$(0.97) per share and Adjusted EBITDA from continuing operations of negative \$2.6 million or \$(0.08) per share.

In the fourth quarter of 2019, cash provided by operating activities was \$10.9 million (cash provided of \$19.2 million before changes in non-cash components of working capital), as compared with the fourth quarter of 2018 when cash provided by operating activities was \$1.1 million (cash provided of \$0.5 million before changes in non-cash components of working capital).

In 2019, cash used by operating activities was \$14.3 million (cash used of \$23.7 million before changes in non-cash components of working capital), as compared with 2018 when cash used by operating activities was \$10.8 million (cash used of \$1.6 million before changes in non-cash components of working capital).

As the operations at MTV continue to grow and expand, significant costs are incurred approximately one year before the leaching process for the copper cathodes to be sold is completed. With the Salt Leach now implemented, this period is expected to decrease by almost 50%. The Company has invested significant working capital in the past year to expand its operations, including a significant build in inventory, that is expected to slowly and steadily increase copper cathode production in the future. Current inventory as at December 31, 2019 was \$14.1 million compared to \$20.6 million as at December 31, 2018. During 2019, the Company transferred \$20.6 million from current work-in-process inventory to non-current work-in-process inventory reflecting ore on leach pads at MTV that the Company did not expect to process in the twelve months following the statement of financial position date. The Company recorded an impairment of \$1.9 million during 2019 related to the net realizable value of the non-current portion of work-in-process inventory. With the mining operation continuing to expand and currently operating at less than 50% capacity, the Company's gross profit is expected to improve as the operation ramps up in 2020 and is brought to full capacity in the coming years.

The gross loss for the three months ended December 31, 2019 was \$4.5 million. This is largely generated by depreciation expense of \$2.4 million and an inventory write-down of \$2.3 million. For the three months and year ended December 31, 2019, the Company continued to be in an expansion phase of operations with a high cost environment which resulted in a gross loss for the period. In addition to the increase in costs in 2019 previously mentioned, the expansion of the project resulted in increased depreciation expense primarily from the pre-strip investment at Don Gabriel. The gross loss for the year ended December 31, 2019 was \$13.4 million. This is largely generated by depreciation expense of \$8.5 million and an inventory write-down of \$4.4 million.

#### *Cash position*

Cash and cash equivalents decreased to \$11.6 million at December 31, 2019 from \$13.5 million at December 31, 2018 as the Company continues to support the operations at MTV that have resulted in an inventory build of \$12.1 million and capital expenditures of \$14.1 million during the year ended December 31, 2019.

In December 2019, MTV entered into the Facility and after the repayment of MTV's \$20 million revolving credit facility, costs of entering into the Facility and reserving a further \$7 million as restricted cash, MTV received proceeds of approximately \$10 million. These amounts were subsequently used to reduce amounts due to critical suppliers.

#### *Investment portfolio divestment*

The Company continues to work on its divestment strategies for its non-core holdings. During the year, the Company completed selling its holdings in both InPlay Oil Corp. and Virginia Energy Resources Inc. Management expects that its remaining non-core holdings and Beretta Farms Inc. could be divested in 2020.

## 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 were independent Qualified Persons? as such term is defined in National Instrument 43-101 ? Standards of Disclosure for Mineral Projects at the time the Technical Report was completed. 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 an operating mining complex located 300 kilometers northeast of Santiago, Chile in Region IV near the town of Salamanca. 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 LME Grade 99.999% copper cathodes. For more information about MTV, please visit <http://www.mineratresvalles.com>.

## About Sprott Resource Holdings Inc.

SRHI is a publicly-listed diversified resource holding company focused on the natural resource industry. SRHI is currently focused on expanding its copper mining operation in Chile and divesting of its legacy Investments. Based in Toronto, SRHI is managed under a services contract by a team of resource professionals and its business and Investments are concentrated in the mining sector. For more information about SRHI, please visit [www.sprottresource.com](http://www.sprottresource.com).

## Non-IFRS Financial Measures

"Cash costs", "Adjusted EBITDA" and "Working Capital" are non-IFRS financial performance measures. Further details on non-IFRS 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: anticipated additional capital for MTV and the sources and timing thereof, expectations regarding production and ability and timing of generation of positive free cash flow; expectations regarding the MTV mine expansion, development and cost reductions and operational efficiencies, including the anticipated expansion methods, costs, timing and the benefits derived from same; expectations regarding the costs,

timing and benefits of the Salt Leach; the short term and long term price of copper; future block caving efforts and the expected benefits therefrom and timing thereof; improvements in gross profits and timing for operations to ramp up to full capacity; expectations regarding the investment portfolio divestment; the mine plan and capital expenditure program for MTV; mineral resource and mineral reserve estimates; the Technical Report; continued unrest in Chile; disruption by COVID-19 and water shortages; the ability of MTV to continue as a going concern and the impact and timing of plans in respect thereof, 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 additional significant disruptions affecting the development and operation of MTV; the availability of certain consumables (including water) 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 additional financing in the future on acceptable terms, if at all; (x) commodity price fluctuations and uncertainties; (xi) risks associated with catastrophic events, manmade disasters, terrorist attacks, wars and other conflicts, or an outbreak of a public health pandemic or other public health crises, including COVID-19; (xii) those risks disclosed under the heading "Risk Management" in SRHI's Management's Discussion and Analysis for the year ended December 31, 2019; and (xiii) those risks disclosed under the heading "Risk Factors" or incorporated by reference into SRHI's Annual Information Form dated March 24, 2020. 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.

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