

Centamin PLC Announces Quarterly Report

20.07.2022 | [ACCESS Newswire](#)

For the three months ended 30 June 2022

PERTH, July 20, 2022 - (LSE:CEY)(TSX:CEE) MARTIN HORGAN, CEO, commented: "Sukari delivered the planned increase in production during Q2 2022 and we remain on track to meet full year production and cost guidance. Q2 2022 was the first full quarter of underground owner operations at Sukari following the transition from contractor operations during Q1 2022 and the Sukari team delivered significant improvements in both productivity and costs. Continued progress was made at our key projects and we remain focussed on cost control across all our operations with a number of initiatives targeting completion in H2 2022 that are expected to partially offset the current inflationary environment. We look forward to announcing our detailed half-year financials and declaring the interim dividend on 4 August 2022."

Q2 2022 HIGHLIGHTS

Quarterly operational performance in line with guidance

- Ongoing safety performance: The Company recorded one lost time injury ("LTI") for the three months to 30 June 2022 ("Q2 2022"), with a lost time injury frequency rate ("LTIFR") of 0.32 per 1,000,000 hours worked which remains ahead of our target of 0.68 for the year
- Production on track for 2022 guidance: Increased gold production of 110,788 ounces ("oz") for Q2 2022, an 11% increase YoY and 19% increase on Q1 2022, which reflects the benefits of the underground transition and improved open pit grade
- Strong revenue generation: Revenue of US\$207.2 million, generated from gold sales of 111,027 oz at an average realised gold price of US\$1,863/oz sold
- Costs: Cash costs of US\$868/oz produced and all-in sustaining costs ("AISC") of US\$1,357/oz sold were 2% lower and 5% higher than in Q1 2022, respectively. This reflects the improved production rate and an ongoing focus on cost control
- Progressing capital projects: Capital expenditure ("capex") of US\$67.3 million reflects the ongoing investment in establishing the long term foundation for the operation; which includes significant investment in the paste fill plant and solar power station
- Robust balance sheet: Cash and liquid assets of US\$176.4 million, as at 30 June 2022, with an update on the capital structure review due in Q3 2022

FULL YEAR 2022 OUTLOOK

Reaffirmed production and cost guidance for 2022 while investing for operational consistency and growth

- Gold production of 430,000 to 460,000 oz for the year
- Cash costs of US\$900-1,000/oz produced
- AISC of US\$1,275-1,425/oz sold. Given the current inflationary operating environment we continue to monitor consumables pricing and review opportunities to offset price increases with cost savings initiatives such as the solar power plant
- Acknowledging inflationary pressures continuing through H2 2022 we now anticipate cash costs and AISC for 2022 in the upper end of the guidance range
- Capex budget of US\$225.5 million
- Exploration expenditure for the year is expected to total US\$25 million

FULL YEAR 2022 MILESTONES & TARGETS

- Solar power plant commissioning - Q3 2022
- Capital structure review - Q3 2022
- Underground expansion study - Q3 2022
- Doropo Project (Côte d'Ivoire) pre-feasibility study - Q4 2022

● Sukari Resource & Reserve update - Q4 2022

RESULTS SUMMARY

| | YoY comparative | | | QoQ comparative | |
|-------------------------------|-----------------|---------|-----------|-----------------|-----------|
| | Q2 2022 | Q2 2021 | % Δ | Q1 2022 | % Δ |
| SAFETY | | | | | |
| LTIFR (1m hours) | 0.32 | 1.19 | (73%) | 0.00 | 100% |
| OPEN PIT | | | | | |
| Total material mined (kt) | 33,371 | 25,585 | 30% | 31,001 | 8% |
| Ore mined (kt) | 2,767 | 3,031 | (9%) | 2,970 | (7%) |
| Ore grade mined (g/t Au) | 1.07 | 0.76 | 41% | 0.92 | 17% |
| UNDERGROUND | | | | | |
| Ore mined (kt) | 231 | 223 | 4% | 154 | 50% |
| Ore grade mined (g/t Au) | 4.74 | 4.67 | 1% | 3.55 | 33% |
| PROCESSING | | | | | |
| Ore processed (kt) | 2,884 | 2,804 | 3% | 2,954 | (2%) |
| Feed grade (g/t Au) | 1.36 | 1.19 | 14% | 1.07 | 27% |
| Gold recovery (%) | 88.3 | 89.3 | (1%) | 88.1 | 0% |
| Gold production (oz) | 110,788 | 100,228 | 11% | 93,109 | 19% |
| COST & SALES | | | | | |
| Gold sold (oz) | 111,027 | 97,229 | 14% | 92,559 | 20% |
| Cash costs (US\$/oz produced) | 868 | 883 | (2%) | 1,006 | (14%) |
| AISC (US\$/oz sold) | 1,357 | 1,290 | 5% | 1,558 | (13%) |
| Realised gold price (US\$/oz) | 1,863 | 1,822 | 2% | 1,883 | (1%) |
| Revenue (US\$m) | 207.2 | 177.5 | 17% | 174.6 | 19% |
| Capex (US\$m) | 67.3 | 41.3 | 63% | 71.4 | (6%) |

WEBCAST AND CONFERENCE CALL

The Company will host a webcast and conference call today, Wednesday, 20 July at 09.30 BST to discuss the results, followed by an opportunity to ask questions.

Webcast link: <https://www.investis-live.com/centamin/62bc4def59bc74140011cdcb/qgoo>

Dial-in telephone numbers:

United Kingdom (and all other locations) +44 (0) 203 936 2999

United States +1 646 664 1960

Participation access code: 696872

HEALTH AND SAFETY

Operational safety continues to be a key focus across the Group. Prioritised management oversight and empowering employees to be safety leaders has resulted in an improved safety performance. In Q2, there was one lost time injury ("LTI") (H1 2022: 1) resulting in a lost time injury frequency rate ("LTIFR") of 0.32 per 1,000,000 site-based hours worked (H1 2022: 0.16), compared to the corresponding 1.19 for the second quarter of 2021. The total recordable injury frequency rate ("TRIFR") for Q2 was below our 2022 target of 3.99 at 2.54 per 1,000,000 site-based hours worked, down 21% quarter on quarter ("QoQ") and down 50% year on year ("YoY").

SUKARI GOLD MINE, EGYPT

(Q2 2022 vs Q2 2021)

Production

Sukari Gold Mine ("Sukari") production for Q2 2022 totalled 110,788 oz (H1 2022: 203,898oz), an 11% increase YoY and 19% increase on Q1 2022. The production increase was attributable to the successful transition to owner mining alongside ongoing productivity improvements such as the use of lightweight high-capacity truck trays in the open pit.

Open Pit Mining

Total material moved (waste and ore) increased by 30% YoY to 33.4Mt (H1 2022: 64.4Mt) a new record for total material moved during a quarter, resulting from improved operating efficiencies and productivity and includes the contractor waste stripping programme.

Total open pit waste material mined for the quarter was 30.6Mt (H1 2022: 58.6Mt), a 36% increase YoY, driven largely by the ongoing execution of the contractor waste-stripping programme (9.6Mt), designed to improve the long-term mining flexibility within the open pit. The strip ratio for the quarter was 11.1:1 (waste:ore) (H1 2022: 10.2:1).

Open pit ore mining activity continued to focus primarily on the Stage 5 North during Q2 2022, with ore contributions from Stage 4. Total open pit ore mined for the quarter was 2.8Mt (H1 2022: 5.7Mt), a 9% reduction YoY, at an average mined grade of 1.07 grams of gold per tonne ("g/t Au") (H1 2022: 0.99g/t Au), a 41% improvement YoY, driven by ore from Stage 4 and improved grades with depth from the primary mining area of Stage 5 North.

During the quarter, the low-grade stockpiles remained broadly unchanged at 18.7Mt at a grade of 0.46g/t Au.

Underground Mining

Q2 represented the first full quarter of owner mining operations in the underground and it delivered a significant improvement in productivity relative to recent performance. As planned, volumes increased and grades improved as mining activities progressed into higher grade areas. We expect to see further improvements in the underground performance as we continue to optimise operations, in parallel with the underground expansion study which is planned to be finalised in Q3 2022.

Total material mined (waste and ore) was 295kt (H1: 509kt), a 5% reduction YoY. Total ore mined was 231kt

(H1: 385kt) at an average combined (stoping and development) grade of 4.74g/t Au (H1: 4.26g/t Au). This represented a 4% increase in ore tonnes YoY and a 1% increase in grade YoY.

The underground ore was made up of 142kt of ore mined from stopes, at an average grade of 5.61g/t Au, and 89kt of ore mined from development, at an average grade of 3.36g/t Au.

Processing

During Q2 2022 the plant processed 2.9Mt of ore (H1: 5.8Mt), a 3% increase YoY, at an average feed grade of 1.36 g/t Au (H1: 1.22g/t Au), a 16% increase YoY reflecting the mined material grades over the period delivered to the plant.

The metallurgical gold recovery rate was 88.3% for the quarter (H1: 88.2%), in line with budget but a 1% reduction YoY, with the reduction resulting from a planned mill reline and commissioning of certain process plant upgrades.

During the period, a series of optimisation studies progressed with the aim of improving overall plant performance including the assessment of gravity gold recovery, flotation, and reagent dosing optimisation.

Capital Projects

Total capex in Q2 was US\$67.3 million (H1: US\$138.7m), which was a 62% increase YoY. Significant investment was made in key capital projects during the quarter. The solar power project, underground development and paste fill plant all progressed as planned. Solar power project activities completed in the period saw the continued drilling and installation of the tracker posts as well as ongoing installation of solar modules with over 80% installed. The Solar project remains on track for commissioning during Q3 2022. The paste fill plant civil works were completed and structural steel works were well advanced.

EXPLORATION PROJECTS

A comprehensive exploration update was published on 7th July 2022. A link to "Group Exploration Update Confirming Growth Potential Across the Portfolio" is available [here](#).

Sukari Exploration

The Sukari exploration spend for the quarter was US\$1.1 million. This brownfield exploration cost is capitalised and sits within the US\$225m capital guidance for 2022. Highlights during the quarter include;

- Sukari underground drilling. The underground exploration programme at Sukari continued to focus on our strategy of delineating the full potential of the underground orebody to deliver both mine life extension and operational expansion. Drilling was completed across all areas of the underground, including at Horus Deeps where drilling intersected the highest-grade mineralisation in that area to date. Horus Deeps remains open to the north, south and down dip and represents the long-term future of the underground operation.
- Sukari Bonanza zones. The Bast area between Ptah and Amun continues to return high grade underground zones of Bonanza style mineralisation. Drilling in this area demonstrates a consistent geological host within 100m of existing infrastructure which could improve underground operational flexibility through the development of a new high-grade mining area.
- Sukari surface exploration. An exploration programme has identified multiple shallow open pit gold satellite targets within the mining concession which have the potential to supplement Sukari mill feed in the short to medium term, improving operational flexibility.

Group Exploration

The total greenfield exploration spend for the quarter was US\$8.2 million (H1: US\$17.6 million). Per the group accounting policy all greenfield exploration expenditure is expensed in the period it is incurred.

- Eastern Desert Exploration ("EDX"). Fieldwork has commenced with a systematic exploration approach aimed at identifying and prioritising commercial scale opportunities. EDX covers 3,000km² of highly prospective and under explored land across three blocks. Six high priority targets already identified within the Nugrus block will be subject to geological sampling and mapping, ahead of drill testing at the earliest opportunity. These priority targets contain more than 20km of alluvial artisanal workings and over 300 hard rock artisanal sites

- West Africa. Work is continuing towards the delivery of the Doropo pre-feasibility study ("PFS") by the end of the year. The field programme has seen the completion of more than 100,000 metres of drilling which is expected to convert the majority of the Inferred Resource to the Indicated Resource category and support the completion of the PFS by the end of Q4 2022.

SALES AND COSTS

Gold sales for the quarter were 111,027 oz (H1: 203,587oz), a 14% increase YoY. The average realised gold price for the quarter was US\$1,863/oz (H1: US\$1,872/oz), up 2% YoY. Revenues generated of US\$207.2 million (H1: US\$381.8m), increased by 17% YoY, driven by higher gold sales, and a marginally higher realised gold price.

Cash costs of production were US\$96.2 million for the quarter (H1: US\$189.8m), a 9% increase YoY, with lower underground costs partially offsetting higher fuel prices and decreased open pit costs due to the increase in the stripping ratio resulting in higher amounts being capitalised to the balance sheet related to waste mining costs. Unit cash costs of production were US\$868/oz produced (H1: US\$931/oz), a 2% decrease YoY.

Total all-in sustaining costs ("AISC") were US\$150.7 million for the quarter (H1: US\$294.9m), a 26% increase YoY, resulting from inventory movements and capitalising of waste mining due to an above life of mine strip ratio being realised during the quarter. The AISC of US\$1,357/oz sold (H1: US\$1,449/oz) increased 10% YoY, reflecting the increase in costs.

In light of the ongoing inflationary environment we remain focussed on stringent cost control and improving productivity at Sukari. There are a number of initiatives due to be implemented during H2 2022 which are anticipated to partially offset cost pressures, including:

- Implementation of power savings - The solar power plant is expected to be commissioned during Q3 2022 and the on-site team is currently investigating the potential to connect to the national grid. These two initiatives are expected to deliver cost savings and decarbonisation
- Open pit productivity - The final delivery of the lightweight truck trays is expected during Q3 2022
- Underground productivity - New underground equipment being delivered H2 2022 and Q1 2023

FINANCIAL POSITION

Free Cash Flow

Under the terms of the Sukari Concession Agreement, the Egyptian government earned US\$6.2m in royalty payments (H1: US\$11.7m) and received US\$13.0m in profit share payments during the quarter (H1: US\$21.5m). After Sukari profit share distribution, Group exploration expenditure and corporate investing activities, Group free cash flow for the quarter was negative US\$2.4 m (H1: negative US\$25.2m), due to the

continued investment in waste stripping and other capital projects. Capital expenditure continues in key areas that will improve the long-term profitability and operability of Sukari, such as the solar plant, waste stripping programme and paste fill plant.

Balance Sheet

Centamin is in a strong financial position, with net cash and liquid assets to US\$176.4m million as at 30 June 2022. The Company remains unhedged and debt-free, with an update on the capital structure review expected in Q3 2022.

ABOUT CENTAMIN

Centamin is an established gold producer, with a premium listing on the London Stock Exchange and Toronto Stock Exchange. The Company's flagship asset is the Sukari Gold Mine ("Sukari"), Egypt's largest and first modern gold mine, as well as one of the world's largest producing mines. Since production began in 2009 Sukari has produced circa 5 million ounces of gold, and today has a projected mine life of 12 years.

Through its large portfolio of exploration assets in Egypt and West Africa, Centamin is advancing an active pipeline of future growth prospects, including the Doropo project in Côte d'Ivoire, and approximately 3,000km² of highly prospective exploration ground in Egypt's Arabian Nubian Shield.

Centamin practices responsible mining activities, recognising its responsibility to not only deliver operational and financial performance but to create lasting mutual benefit for all stakeholders through good corporate citizenship.

FOR MORE INFORMATION please visit the website www.centamin.com or contact:

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ENDNOTES

Guidance

The Company actively monitors the developments of the COVID-19 pandemic and guidance may be impacted if the workforce or operation are disrupted.

Financials

Financial data points included within this report are unaudited.

Non-GAAP measures

This statement includes certain financial performance measures which are non-GAAP measures. These include Cash costs of production, AISC, Cash and liquid assets, and Free cash flow. Management believes these measures provide valuable additional information for users of the financial statements to understand the underlying trading performance. Definitions and explanation of the measures used along with reconciliation to the nearest IFRS measures are detailed in the Company's 2021 Annual Report <https://www.centamin.com/investors/results-reports/>.

Exploration expenditure

Exploration expensed covers all exploration activities excluding the Sukari Concession Agreement.

Royalties

Royalties are accrued and paid six months in arrears.

Cash and liquid assets

Cash and liquid assets include cash, bullion on hand and gold sales receivables.

Cost savings

Cost savings were calculated relative to the incumbent underground contractor contract terms, all things being equal, and include the initial equipment purchase required to maintain current production levels and future capital cost estimates related to any near-term fleet replacement.

Qualified Person

Information of a scientific or technical nature in this document was prepared under the supervision of Craig Barker, an employee of the Company and a Qualified Person, as such term is defined by National Instrument 43-101 Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators.

The Qualified Person has verified the data disclosed, including sampling, analytical, and test data underlying the information or opinions contained in this announcement in accordance with standards appropriate to their qualifications.

FORWARD-LOOKING STATEMENTS

This announcement (including information incorporated by reference) contains "forward-looking statements" and "forward-looking information" under applicable securities laws (collectively, "forward-looking statements"), including statements with respect to future financial or operating performance. Such statements include "future-oriented financial information" or "financial outlook" with respect to prospective financial performance, financial position, EBITDA, cash flows and other financial metrics that are based on assumptions about future economic conditions and courses of action. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "believes", "expects", "expected", "budgeted", "forecasts" and "anticipates" and include production outlook, operating schedules, production profiles, expansion and expansion plans, efficiency gains, production and cost guidance, capital expenditure outlook, exploration spend and other mine plans. Although Centamin believes that the expectations reflected in such forward-looking statements are reasonable, Centamin can give no assurance that such expectations will prove to be correct. Forward-looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and projections of the management of Centamin about future events and are therefore subject to known and unknown risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. In addition, there are a number of factors that could cause actual results, performance, achievements or developments to differ materially from those expressed or implied by such forward-looking statements; the risks and uncertainties associated with the ongoing impacts of COVID-19 or other pandemic, general business, economic, competitive, political and social uncertainties; the results of exploration activities and feasibility studies; assumptions in economic evaluations which prove to be inaccurate; currency fluctuations; changes in project parameters; future prices of gold and other metals; possible variations of ore grade or recovery rates; accidents, labour disputes and other risks of the mining industry; climatic conditions; political instability; decisions and regulatory changes enacted by governmental authorities; delays in obtaining approvals or financing or completing development or construction activities; and discovery of archaeological ruins. Financial outlook and future-ordinated financial information contained in this news release is based on assumptions about future events, including economic conditions and proposed courses of action, based on management's assessment of the relevant information currently available. Readers are cautioned that any such financial outlook or future-ordinated financial information

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