

Cerro de Pasco Resources Reports Q2 2023 Results

29.08.2023 | [CNW](#)

MONTRÉAL, Aug. 29, 2023 - [Cerro de Pasco Resources Inc.](#) (CSE: CDPR) (OTCPK: GPPRF) (FRA: N8HP) ("CDPR," or the "Company") is pleased to announce selected second quarter 2023 financial and operating results. All currency is in U.S. dollars, unless otherwise stated. The Company's Financial Statements and Management's Discussion & Analysis ("MD&A") are available at www.pascoresources.com and www.sedar.com.

Selected Q2 2023 financial and operating results

- Metal Production in Q2 2023 was 10 million pounds of Zinc, 820 thousand pounds of Lead, and 66 thousand ounces of Silver. These production figures represent an 83% increase in Zn, 112% increase in Pb and 238% in Ag respectively over Q2 2022 production.
- Revenue for Q2 2023 was \$4.5 million. Revenue in Q2 2023 was impacted by \$3.9 million of negative final settlements from Q1 2023 sales and further exacerbated by a 35% decrease in quarter over quarter zinc prices.
- Q2 2023 C1 cash Cost ⁽⁴⁾ of \$1.34, and AISC ⁽⁵⁾ \$1.60 per pound of zinc produced remain in-line with the Company's projections; C1 Cash cost decreased by 41% and AISC decreased by 35% as compared to Q2 2022 due to the resumption of normal production rates and improved cost plans. AISC included development and new infrastructure supporting the Santander Pipe connection.
- Q2 2023 average mill production was 2,050 tonnes per day. This was a 97% improvement over throughput achieved in Q2 2022.
- Average mine development of 532 meters per month for Q2 2023. A 4% increase over Q1 2022. This included a total of 208 meters completed for the Magistral-Pipe tunnel project.
- The Company met production guidance for 1H 2023.
- Positive mine operating cash flow ⁽³⁾ of over \$3.8 million.
- Over 21% of the net loss for Q1 2023 comprises either non-cash or one-time items ⁽⁶⁾; net loss for Q2 2023 totaled \$10.4M or (\$0.03) per share.
- As of June 30, 2023, the Company had cash, cash equivalents, and restricted cash of \$6.1 million.

Guy Goulet, CDPR's CEO commented, "CDPR delivered a solid quarter despite inflationary pressures that impacted the global mining industry. Production has nearly doubled since Q2 2022 and average mill production was just under nameplate capacity. Aggressive cost reduction plans saved nearly 35% on unit costs. Revenues for Q2 2023 were severely impacted due to a negative revision in final settlements of Q1 2023 sales further exacerbated by the significant drop in zinc prices. As a result, we have announced and implemented a new curtailed operating plan to sustain the Santander operation while we continue advancing the Pipe project."

Guy Goulet, CDPR's CEO further commented "The large imbalance in working capital is expected to be temporary due to an increase in accounts payable, primarily caused by the decision to pursue the development of the Santander Pipe in advance of support funding. According to the projections supported by a third-party NI 43-101 preliminary economic assessment, the Santander Pipe's Consolidated Plan will produce a positive cashflow for a period of 10+ years. Once the previously announced financing packages are closed, the Santander mine will be on track to quickly begin the period of positive cashflow and naturally address the imbalance in working capital."

Summary of Operating Results at Santander

		Q2 23	Q2 22	Var	1H 23	1H 22
Production						
Zn Price	(\$/t)	2,539	3,925	-35 %	18,964	14,879
Ore Mined	t	185,050	94,207	96 %	363,285	189,125
Ore Milled	t	185,210	94,207	97 %	361,694	189,125
Zn Head Grade	%/t	3.14	3.30	-5 %	3.20	3.82
Pb Head Grade	%/t	0.31	0.30	3 %	0.29	0.22
Ag Head Grade	oz/t	0.71	0.50	42 %	0.67	0.50
Zn Recovery	%	93.64	94.80	-1 %	94.32	95.10
Pb Recovery	%	68.61	71.10	-4 %	68.21	72.78
Ag recovery	%	50.38	47.30	7 %	48.27	48.35
Zn Concentrate	t	11,508	6,129	88 %	23,060	14,172
Pb Concentrate	t	773	372	108 %	1,339	666
Ag ounces	Oz	69,862	22,405	212 %	117,660	41,959
Zn Payable Production	Mlbs	10.0	5.5	83 %	20,035	32,709
Pb Payable Production	Mlbs	0.82	0.39	112 %	1,471	1,656
Ag Payable Production	Oz	66,369	19,639	238 %	111,777	108,634
Sales						
Zn Payable sold	Mlbs	8.5	4.1	109 %	8.6	6.7
Pb Payable sold	Mlbs	0.5	0.3	110 %	0.5	0.3
Ag Payable sold	Oz	20,616	7,468	176 %	17,514	9,197
C1 Cash Cost ¹	\$/lb	1.34	2.28	-41 %	1.50	1.95
AISC ¹	\$/lb	1.60	2.46	-35 %	1.78	2.09
Development meters		1,593	1,213	4 %	3,435	1,987
Finance						
Revenues, net	(000)s \$	4,515	6,891	-34 %	16,820	21,472
Cost of Goods Sold	(000)s \$	-11,893	-8,249	-44 %	-26,499	-17,979
Gross Profit	(000)s \$	-7,378	-1,436	-413 %	-9,679	3,493
Sales and Admin Expenses	(000)s \$	-760	-689	-10 %	-1,411	-1,273

Adjusted EBIT	(000)s \$	-8,138	-2,047	-297 %	-11,090	2,220
Other income (expense)		-599	-61	-882 %	-1,462	-79
EBITDA ¹	(000)s \$	-8,737	-2,108	314 %	-12,551	2,141
Depreciation	(000)s \$	1,603	265	504 %	3,011	527
EBIT ¹	(000)s \$	-7,134	-1,843	287 %	-9,541	2,668
AISC Total Costs		Q2 23	Q2 22	Var	1H 23	1H 22
Mine Operating Expenses	(000)s \$	10,644	10,963	-3 %	24,007	21,216
Smelting and refining	(000)s \$	4,385	1,990	120 %	8,749	4,449
Distribution	(000)s \$	312	180	74 %	614	396
Royalties	(000)s \$	22	25	-14 %	71	53
Less: By-product revenues	(000)s \$	(1,984)	(717)	177 %	(3,339)	(1,395)
C1 total costs	(000)s \$	13,378	12,441	8 %	30,102	24,719
Sustaining CAPEX	(000)s \$	2,628	1,011	160 %	5,506	1,813
Lease Payments	(000)s \$					
AISC total costs	(000)s \$	16,006	13,451	19 %	35,608	26,532
Pounds of zinc payable produced	Mlbs	10.0	5.5	83 %	20.0	12.7
Q2 2023 business development highlights						
C1 Cash Cost per pound	\$US	1.34	2.28	-41 %	1.50	1.95
All-in Sustaining Cost per pound	\$US	1.60	2.46	-35 %	1.78	2.09

● On April 11, 2023, the Company announced that it has filed on SEDAR an independent Preliminary Economic Assessment ("PEA") for its brownfield Pipe Project ("the Project" or "the Santander Pipe").

● On June 16th, 2023, the Company announced the discovery of La Cuñada Zone at the Santander Pipe, an additional potential resource that benefits the Pipe project. The La Cuñada zone starts at the surface of the historic open pit (4580 masl), continues to the bottom of the pit (4380 masl), and ends at the historic underground operation (level 4220 - where the Upper-Zone starts).

- On June 28, 2023, the Company announced that it has signed a term sheet with Ocean Partners UK Limited ("OPUK"), a metals

- The La Cuñada Zone in the Santander Pipe is approximately 100 meters and has the potential to contain 0.02% to 0.10% Ag and 0.10-0.12% Cu. The Superficial Zone "La Isla", consists of the "La Isla" and "La Cuñada-underground", which contains approximately 0.02% to 0.10% Ag and 0.10-0.12% Cu.
- The 2023 Puajanca drilling was conducted as an existing operation combined with the Santander Pipe package. The highlights include:
- The drill holes SAN-0295 and SAN-0296 returned 0.02% Copper and 1.60 opt Silver.
- Overall, the Puajanca drilling carried 2.96% Zinc 0.98% Lead, 0.03% Silver.

trading firm and Arena Investors, LP ("ARENA"), a global asset manager, to provide an aggregate of \$12.0M to \$15.5M, consisting of a \$8.0M loan facility from ARENA and a \$4.0M to \$7.5M revolving concentrate pre-payment facility from OPUK (together the "Financing"). In addition, the Company has secured a \$5.0M term sheet with a private Peruvian fund in exchange for a 10% ownership position in CDPR's Santander subsidiary (the "Equity Interest"). The purpose of the Financing and Equity Interest will be to strengthen the Company's balance sheet during the physical development stage of the Santander Pipe Project at its Santander Mine in Peru.

Private Placement Financings Completed in Q2 2023

- On June 5, 2023, the Company concluded a private placement by issuing 10,400,000 units at a price of CA\$0.10 per unit for proceeds of CA\$1,004,000. Each unit consists of one common share and one warrant for a total of 10,400,000 common shares and 10,400,000 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of CA\$0.25 with an expiry date of two years.
- On June 23, 2023, the Company concluded a private placement by issuing 1,027,500 units at a price of CA\$0.10 per unit for proceeds of CA\$102,750. Each unit consists of one common share and one warrant for a total of 1,027,500 common shares and 1,027,500 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of CA\$0.25 with an expiry date of two years.

Quiulacocha Easement Update

In order to fulfill the requirements to obtain the authorization to start exploration activities from the General Mining Bureau of Mining of the Ministry of Energy and Mines (DGM, for its acronym in Spanish), on August 25th, 2022, CDPR requested the DGM to impose an easement for 2 years over a part of the plot called Parcel "K", owned by Activos Mineros S.A.C. ("AMSAC").

The following phases of the process have been completed:

- Mining expert opinion obtained.
- Conciliation stage lead by the Centre of Conflict Resolution of the Catholic University of Peru (PUCP) completed.

- Valuation of the easement request by an agronomic expert appointed by the Ministry of Housing, Construction and Sanitation (MVCS, for its acronym in Spanish) conducted.
- CDPR has formally confirmed to the DGM its request for the granting of the easement.

The following milestones are expected to be obtained in September 2023:

- The DGM forwards the complete file to the Ministry of Agricultural Development and Irrigation (MIDAGRI, for its acronym in Spanish) for the issuance of a favorable technical opinion.
- Once MIDAGRI's opinion is received, the DGM prepares the draft Supreme Resolution that sets the amount of compensation to be paid for the easement, along with the minutes of the easement establishment. This Supreme Resolution requires the signature of the Minister of Energy and Mines, the Ministry of Agriculture, and the President of the Republic.

Technical Information

Mr. Jorge Lozano, MMSAQP and Chief Operating Officer for CDPR, has reviewed and approved the scientific and technical information contained in this news release. Mr. Lozano is a Qualified Person for the purposes of reporting in compliance with NI 43-101.

About Cerro de Pasco Resources

[Cerro de Pasco Resources Inc.](#) (CDPR) is a mining and resource management company, with the goal to become the next mid-tier producer of base metals in Peru. CDPR is currently engaged in mining, developing and exploring our wholly owned 6,000 hectare Santander Mine in the highly prospective Antamina-Yauricocha Skarn Corridor, located 215 km from Lima. CDPR is also focused on the development of its principal 100% owned asset, El Metallurgista mining concession comprising mineral tailings and stockpiles extracted from the Cerro de Pasco open-pit mine in central Peru. The company's approach at El Metallurgista entails the reprocessing and environmental remediation of mining waste and the creation of numerous opportunities in a circular economy. CDPR founded on clear the objectives, to engender long-term economic sustainability and benefit for the local population, from an economic, social and health point of view.

Forward-Looking Statements and Disclaimer

Certain information contained herein may constitute "forward-looking information" or "forward-looking statements" under Canadian securities legislation. Generally, forward-looking information can be identified by words such as "pro forma", "plans", "expects", "may", "should", "could", "will", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "believes", or variations including negative variations thereof of such words and phrases that refer to certain actions, events or results that may, occur or be taken or achieved. Such forward-looking statements, including but not limited to statements relating to the expected development and operations of the Company and H₂-SPHERE, involve risks, uncertainties and other factors which may cause the actual results to be materially different from those expressed or implied by such forward-looking statements or forward-looking information. Such factors include, among others, risks related to the exploration, development and mining operations; impacts of macroeconomic developments as well as the impact of the COVID-19 pandemic; and any material adverse effect on the business, properties and assets of the Company or H₂-SPHERE. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements and forward-looking information. The Company will not update any forward-looking statements or forward-looking information included herein, except as required by applicable securities laws.

Cautionary Note Regarding Non-IFRS Financial Performance Measures

This MD&A refers to the following non-IFRS financial performance measures: Earnings before interest, taxes, depreciation and amortization ("EBITDA"), Earnings before interest and taxes ("EBIT"), Adjusted EBITDA, Adjusted EBIT, Adjusted Earnings per Share, Net Debt, C1 Cash Cost and All-In Sustaining Cost ("AISC").

These measures are not recognized under IFRS as they do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. CDPR uses these measures internally to evaluate the underlying operating performance of the Company for the reporting periods presented. The use of these measures enables the Company to assess performance trends and to evaluate the results of the underlying business. CDPR understands that certain investors, and others who follow the Company's performance, also assess performance in this way.

The Company believes that these metrics measure our performance and are useful indicators of our expected performance in future periods. This data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

1) EBITDA and EBIT

EBITDA provides insight into overall business performance. This measure assists readers in understanding the ongoing cash generating potential of the business including liquidity to fund working capital, service debt, and fund capital expenditures and investment opportunities. EBITDA is profit attributable to shareholders before net finance expense, income taxes and depreciation, depletion, and amortization. EBIT is EBITDA after depreciation, depletion, and amortization. Other companies may calculate EBIT and EBITDA differently.

2) Adjusted EBITDA, Adjusted EBIT and Adjusted Earnings per Share

Adjusted EBITDA consists of EBITDA less the impact of impairments or reversals of impairment and other non-cash and non-recurring expenses and recoveries. Adjusted EBIT consists of EBIT less the impact of impairments or reversals of impairment and other non-cash and non-recurring expenses and recoveries. These expenses and recoveries are removed from the calculation of EBITDA and EBIT as the Company does not believe they are reflective of the Company's ability to generate liquidity and its core operating results.

Adjusted Earnings per Share consists of net income or loss in the period less the impact of impairments or reversals of impairment, settlement mark-to-market, fair value (gain) loss on financial instruments, (gain) loss on foreign exchange, restructuring expenses and other income or expenses.

3) Mine Operating Cash Flow

Mine operating Cash Flow is net income from operations adding back the net effects of changes in impairment, tax provisions, tax accruals, depreciation and amortization, non-cash changes in working capital and changes due to non-cash purchase price allocation adjustments.

4) C1 Cash Cost

This measures the estimated cash cost to produce a pound of payable zinc. This measure includes mine operating production expenses such as mining, processing, administration, indirect charges (including surface maintenance and camp), and smelting, refining and freight, distribution, royalties, and by-product metal revenues divided by pounds of payable zinc produced. C1 Cash Cost per pound of payable zinc produced does not include depreciation, depletion, and amortization, reclamation expenses, capital sustaining and exploration expenses.

5) AISC

This measures the estimated cash costs to produce a pound of payable zinc plus the estimated capital sustaining costs to maintain the mine and mill. This measure includes the C1 Cash Cost per pound and capital sustaining costs divided by pounds of payable zinc produced. All-In Sustaining Cost per pound of zinc payable produced does not include depreciation, depletion, and amortization, reclamation, and exploration expenses.

6) Non-cash or one-time items

Non-cash or one-time items include depreciation, stock-based compensation, loss or gain on derivatives, change of fair value on contingent payments and other financial assets, losses on the dissolution of subsidiaries, provisions for contingent taxes, gain on the extinguishment of debt and presumed interest on convertible and promissory notes.

SOURCE [Cerro de Pasco Resources Inc.](#)

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