

# Breakwater Resources Ltd.'s Third Quarter 2010 Financial and Operating Results

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## Net Earnings Strong as Metal Prices Continue to Improve

TORONTO, ONTARIO -- (Marketwire) -- 11/01/10 -- [Breakwater Resources Ltd.](#) (TSX: BWR)(TSX: BWR.WT.A) realized net earnings of \$19.6 million or \$0.28 per share in the third quarter of 2010 compared with net earnings of \$6.5 million or \$0.10 per share in the third quarter of 2009.

## Revenues Higher, Costs Higher

Gross sales revenue was 30% higher at \$93.3 million primarily due to significantly higher metal prices and more concentrate sold partially offset by a stronger C\$ and higher price protection losses. Concentrate produced in the third quarter of 2010 decreased 11% to 48,819 tonnes compared with the third quarter of 2009 due to 13%, 15% and 6% decreases at Myra Falls, Toqui and Mochito respectively.

Direct operating costs were 24% higher in the third quarter of 2010 at \$41.9 million compared with \$33.9 million in the third quarter of 2009. The increased costs were primarily due to 8% higher quantity of concentrate sold and higher costs at Toqui and Myra Falls. On a cost per tonne of concentrate sold basis, direct operating costs increased to \$709 in the third quarter of 2010 from \$620 in 2009 primarily due to the factors noted above.

## Cash

Cash and cash equivalents increased by \$12.5 million in the third quarter of 2010 to \$88.5 million at September 30, 2010.

## Net Cash Provided By Operating Activities

Net cash provided by operating activities was \$30.0 million for the three month period ended September 30, 2010 compared with \$6.3 million in the same period in 2010.

## Capital Expenditures

The Company invested \$45.9 million in mineral properties and fixed assets in first nine months of 2010. At mining operations, \$15.1 million, \$21.6 million, \$5.2 million and \$3.7 million were spent at Mochito, Toqui, Myra Falls and Langlois respectively. Corporate capital expenditures were \$0.3 million primarily related to joint venture exploration payments.

## Operations

### Mochito

- Rehabilitation of the 2100 level, which will improve the movement of personnel and materials, is on time and budget with completion expected in the fourth quarter of 2010

### Toqui

- The paste backfill facility, which will allow for paste tailings deposition and enhanced ore extraction through greater recovery of current and future pillars, is expected to be completed in the fourth quarter of 2010. Currently, the construction program is approximately ten weeks behind schedule due to various issues, including those related to the movement of materials and the availability of skilled people following the February 2010 earthquake in Chile; inclement weather throughout the construction period; and the seven day strike
- The installation of a primary ball mill will allow 15% greater throughput and is proceeding according to plan with an expected completion date in the fourth quarter of 2010

### Myra Falls

- Work continues to improve metallurgical recoveries in the mill with favourable preliminary results
- Development necessary to properly delineate the Marshall deposit is advancing well with the first drill station expected to be established by the end of the fourth quarter of 2010
- Tailings disposal facility seismic berm upgrade is on schedule and is expected to be completed in the fourth quarter of 2010

### Langlois

- Development plans continue at Langlois for the balance of 2010 which include, advancing two ramps - one from surface to the top of zone 4 and one internal to zone 3 and selective development of production headings
- The Company plans to increase the rate of mine development as it moves towards a production restart, currently planned for the first quarter of 2012, and has arranged to purchase a new development jumbo drill and conduct additional work, which will result in capital expenditures for 2010 being approximately \$1.7 million higher than previously disclosed

David M. Petroff, President and Chief Executive Officer, stated that, 'We are pleased to have posted another solid quarter. Our balance sheet was further strengthened during this quarter while we continued to protect revenues on the downside. That said we were not without our challenges. Across the company, we expect to spend an additional \$8.0 million on capital expenditures for 2010 due to an expansion of the capital program at Langlois and approximately \$9.7 million of cost overruns in the paste plant and ball mill at Toqui combined with the impact of a stronger Chilean peso partially offset by lower capital expenditures at Myra Falls. Operating costs per tonne milled (on a production basis) and production of zinc, copper, and gold for the first nine months of 2010 are in line with 2010 guidance. Due largely to Mochito, we expect to produce 16,000 tonnes of lead and 2.4 million ounces of silver in concentrate.'

## GROSS SALES REVENUE - THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

A breakdown of gross sales revenue for the three month periods ended September 30, 2010 and 2009 is set forth in the following table.

Third Quarter 2010				
	Concentrate sold (tonnes)	Payable metal(1)	Realized price(1) (US\$)	Gross sales revenue (\$'000's)
Zinc	36,921	16,243	2,007	32,595
Copper	9,449	2,091	7,230	15,117
Lead	9,830	6,054	2,120	12,836
Gold(2)	2,903	15,309	1,218	18,648
Silver	n.a.	698,903	19.07	13,327
Price protection loss (3)	n.a.			(2,728)
Other(4)	n.a.			n.a.
	59,103			
Gross sales revenue in US\$				89,795
Exchange rate				1.0388
Gross sales revenue in C\$				93,276

Third Quarter 2009				
	Concentrate sold (tonnes)	Payable metal(1)	Realized price(1) (US\$)	Gross sales revenue (\$'000's)
Zinc	40,354	17,613	1,678	29,549
Copper	5,140	1,203	5,115	6,153
Lead	6,798	4,034	2,037	8,216
Gold(2)	2,298	10,981	957	10,511
Silver	n.a.	847,480	14.57	12,352
Price protection loss (3)	n.a.			(1,476)
Other(4)	n.a.			122
	54,590			
Gross sales revenue in US\$				65,427
Exchange rate				1.0947
Gross sales revenue in C\$				71,622

- (1) Payable metal and realized prices for zinc, copper and lead are per tonne and for gold and silver are per ounce.
- (2) Gold concentrate sales are principally from Toqui while payable gold is from all operations except Mochito.
- (3) Price protection losses for zinc, copper, lead, gold and silver were: US\$802,000; US\$955,000; US\$252,000; US\$314,000; and, US\$404,000 respectively in the third quarter of 2010.
- (4) Other gross sales revenue represents revaluations of prior period concentrate receivables.

A breakdown of gross sales revenue for the nine month periods ended September 30, 2010 and 2009 is set forth in the following table.

First Nine Months 2010				
	Concentrate sold (tonnes)	Payable metal(1)	Realized price(1) (US\$)	Gross sales revenue (\$'000's)
Zinc	140,542	60,715	2,140	129,908
Copper	19,036	4,266	7,161	30,547
Lead	26,665	16,426	2,145	35,240
Gold(2)	7,354	44,086	1,170	51,571
Silver	n.a.	1,923,052	18.22	35,043
Price protection loss (3)	n.a.			(1,095)
Other(4)	n.a.			(437)
	193,597			
Gross sales revenue in US\$				280,777
Exchange rate				1.0357
Gross sales revenue in C\$				290,796

First Nine Months 2009				
	Concentrate sold (tonnes)	Payable metal(1)	Realized price(1) (US\$)	Gross sales revenue (\$'000's)
Zinc	126,668	55,588	1,394	77,497
Copper	14,696	3,165	4,201	13,297
Lead	17,630	10,798	1,569	16,943
Gold(2)	5,318	28,995	922	26,746
Silver	n.a.	1,513,886	13.56	20,533
Price protection loss (3)	n.a.			(2,537)
Other(4)	n.a.			(441)
	164,312			
Gross sales revenue in US\$				152,038
Exchange rate				1.1621
Gross sales revenue in C\$				176,694

- (1) Payable metal and realized prices for zinc, copper and lead are per tonne and for gold and silver are per ounce.
- (2) Gold concentrate sales are principally from Toqui while payable gold is from all operations except Mochito.
- (3) Price protection (gains) losses for zinc, copper, lead, gold and silver were: (US\$1,416,000); US\$1,170,000; US\$252,000; US\$404,000; and, US\$686,000 respectively in the first nine months of 2010.
- (4) Other gross sales revenue represents revaluations of prior period concentrate receivables.

## PRICE PROTECTION STRATEGY

As at November 1, 2010 the Company's hedge position consisted of:

Puts Bought:

Type	Quantity	Average Price (US\$)	Maturity
Zinc	12,000 tonnes	\$2,039 per tonne	January 2011 - June 2011
Copper	1,000 tonnes	\$6,448 per tonne	December 2010
Silver	460,000 ounces	\$16 per ounce	November 2010 - December 2010
Gold	8,800 ounces	\$1,100 per ounce	November 2010 - December 2010

As at November 1, 2010, the Company had locked in pricing for payable zinc of 7,450 tonnes with certain customers for the fourth quarter of 2010 at a weighted average price of US\$2,214 per tonne.

#### CONCENTRATE SALES - BREAKDOWN BY MINE

Concentrate Sold (tonnes)	Third Quarter		First Nine Months	
	2010	2009	2010	2009
<b>Zinc</b>				
Mochito	18,345	18,661	55,023	46,407
Toqui	6,372	10,048	33,810	37,055
Myra Falls	12,204	11,645	51,709	39,588
Langlois(1)	-	-	-	3,618
	36,921	40,354	140,542	126,668
<b>Copper</b>				
Myra Falls	9,449	5,140	19,036	14,375
Langlois(1)	-	-	-	321
	9,449	5,140	19,036	14,696
<b>Lead</b>				
Mochito	9,460	6,101	25,411	16,510
Toqui	370	697	1,254	1,120
	9,830	6,798	26,665	17,630
<b>Gold</b>				
Toqui	2,903	2,298	7,354	5,309
Myra Falls	-	-	-	9
	2,903	2,298	7,354	5,318
<b>All Metals</b>	<b>59,103</b>	<b>54,590</b>	<b>193,597</b>	<b>164,312</b>

(1) Due to the Company's revenue recognition policy, certain concentrate produced prior to the temporary suspension of Langlois on November 2, 2008 was not recognized in revenue until the first quarter of 2009.

#### PRODUCTION RESULTS

The table below summarizes, on a production basis, the Company's metal contained in concentrate, before smelting deductions, for the periods presented.

Metal in Concentrate	Third Quarter			First Nine Months		
	2010	2009	%	2010	2009	%
<b>Zinc (tonnes)</b>						
Mochito	7,652	9,284	-17.6%	25,584	25,686	-0.4%
Toqui	4,448	5,077	-12.4%	15,760	14,820	6.3%
Myra Falls	6,455	8,475	-23.8%	25,842	21,788	18.6%
	18,555	22,836	-18.7%	67,186	62,294	7.9%
<b>Copper (tonnes)</b>						
Myra Falls	1,085	789	37.5%	3,947	2,457	60.6%
	1,085	789	37.5%	3,947	2,457	60.6%
<b>Lead (tonnes)</b>						
Mochito	4,254	3,146	35.2%	13,374	9,673	38.3%
Toqui	28	223	-87.4%	415	853	-51.3%
	4,282	3,369	27.1%	13,789	10,526	31.0%
<b>Gold (ounces)</b>						
Toqui	9,911	10,191	-2.7%	27,241	30,977	-12.1%
Myra Falls	3,924	4,019	-2.4%	15,638	9,652	62.0%
	13,835	14,210	-2.6%	42,879	40,629	5.5%
<b>Silver (ounces)</b>						
Mochito	452,060	462,024	-2.2%	1,428,095	1,314,046	8.7%
Toqui	20,851	51,325	-59.4%	94,273	181,912	-48.2%
Myra Falls	124,859	156,443	-20.2%	548,873	355,699	54.3%
	597,770	669,792	-10.8%	2,071,241	1,851,657	11.9%

The complete unaudited consolidated interim financial statements for the periods ended September 30, 2010, with the comparative figures for the periods ended September 30, 2009, the related notes, and management's discussion and analysis of the financial and operating results have been filed on [www.sedar.com](http://www.sedar.com). Additionally, the documents have been made available on our website at <http://www.breakwater.ca/Investors/AnnualandQuarterlyReports/default.aspx>.

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