

Breakwater Resources Ltd.'s 2010 and Fourth Quarter Financial And Operating Results

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Net Earnings Higher Due to Improved Metal Prices and Concentrate Sales

TORONTO, ONTARIO -- (Marketwire) -- 02/24/11 -- [Breakwater Resources Ltd.](#) (TSX: BWR) (TSX: BWR.WT.A) realized net earnings of \$18.2 million or \$0.25 per share in the fourth quarter of 2010 compared with \$5.4 million or \$0.08 per share in the fourth quarter of 2009.

The Company realized net earnings of \$87.2 million or \$1.23 per share during 2010 compared with \$0.8 million or \$0.01 per share in 2009.

David M. Petroff, President and Chief Executive Officer, stated that, 'We are pleased to have posted another solid quarter. 2010 was a successful and eventful year as the Company undertook to implement its strategic plan. In so doing, and buoyed by healthy commodity prices, financial strength was improved through the generation of \$45 million free cash flow and \$46 million net new equity.'

Revenues Higher, Costs Higher

Gross sales revenue was 62% higher in the fourth quarter of 2010 at \$80.5 million primarily due to higher metal prices and 52% more concentrate sold partially offset by a stronger C\$ and no copper revenue being recognized in the fourth quarter of 2010.

Gross sales revenue in 2010 was 64% higher at \$371.3 million primarily due to significantly higher metal prices and more concentrate sold partially offset by a stronger C\$. Concentrate produced during 2010 increased 3% to 221,738 tonnes compared with 2009 due to a 13% increase at Myra Falls partially offset by a 5% decrease at Toqui.

Realized prices denominated in US\$ increased for all metals in the fourth quarter of 2010 compared with the fourth quarter of 2009. The Company periodically hedges against fluctuations in metal prices and foreign exchange rates using forward sales or put contracts. Additionally, certain of the Company's contracts with customers allow it to lock-in the price received for contained metals payable.

Direct operating costs were 91% higher in the fourth quarter of 2010 at \$33.1 million compared with \$17.3 million in the fourth quarter of 2009. The increased direct operating costs were primarily due to 52% more concentrate sold and higher costs at Mochito and Toqui. On a cost per tonne of concentrate sold basis, direct operating costs increased to \$569 in the fourth quarter of 2010 from \$451 in 2009.

At Mochito, direct operating costs increased \$8.0 million in the fourth quarter of 2010 primarily due to 62% higher concentrate sales, higher costs for power, diesel, rehabilitation, contractors, haulage, materials and supplies as well as a contract signing bonus of US\$0.8 million. Direct operating cost per tonne of concentrate sold was \$534 in the fourth quarter of 2010 compared with \$327 in 2009 primarily due to the factors noted above. A rain event in the third quarter of 2010 disrupted mill and certain mine operations with a return to normal operations after approximately one month of emergency repairs to roads, bridges, slopes and general cleanup. Underground operations were not affected by the rain event.

At Toqui, direct operating costs in the fourth quarter of 2010 were \$7.9 million higher than in the same period of 2009 primarily due to: 140% higher tonnes of concentrate sold; the mix of concentrates sold; a US\$1.5 million signing bonus on contract renewal, a US\$1.0 million inventory obsolescence provision, US\$0.5 million for repairs and maintenance consultants; US\$0.5 million for increased wages; US\$0.2 million for increased maintenance and repairs; US\$0.1 million for increased fuel; and, US\$0.1 million higher royalties partially offset by a stronger C\$. Direct operating costs per tonne of concentrate sold increased in 2010 to \$760 compared with \$600 in 2009 primarily due to the factors noted above.

At Myra Falls direct operating costs in the fourth quarter of 2010 were 1% lower than in the same period of 2009 primarily due to lower operating costs partially offset by 9% higher quantities of concentrate sold and an increase of \$0.6 million to the tailings dam liability.

For the year, direct operating costs were 38% higher at \$143.3 million compared with \$103.7 million in 2009.

The increased costs were primarily due to 24% higher quantity of concentrate sold and higher costs at Toqui and Mochito. On a cost per tonne of concentrate sold basis, direct operating costs increased to \$569 in 2010 from \$512 in 2009 primarily due to the factors noted above.

Cash

Cash and cash equivalents increased to \$133.9 million in the fourth quarter of 2010 from \$88.5 million at September 30, 2010.

Net Cash Provided By Operating Activities

Net cash provided by operating activities was \$33.1 million for the three month period ended December 31, 2010 compared with \$22.5 million in the same period in 2009.

Capital Expenditures

The Company invested \$74.0 million in mineral properties and fixed assets during 2010. At mining operations, \$19.9 million, \$37.7 million, \$9.2 million and \$6.9 million were spent at Mochito, Toqui, Myra Falls and Langlois respectively.

Operations

Mochito

- Rehabilitation of the 2100 level is largely complete with the exception of the warehouse area where additional ground support remains to be installed. A trial operation of the rail transport facility was carried out during the second week of January 2011 prior to commissioning the changeover to transport men and materials on the 2350 level.
- A new labour agreement was entered into and expires October 1, 2013

Toqui

- The paste backfill facility, which will allow for paste tailings deposition and enhanced ore extraction through greater recovery of current and future pillars, was under commissioning at the end of the fourth quarter 2010. Delays in commissioning resulted from corrective work carried out on mechanical components. The paste backfill facility commenced delivery of cemented paste tails to the mine for deposition in designated areas during January 2011.
- As planned, the installation of a primary ball mill was completed during the fourth quarter of 2010, and is operational. The anticipated 15% increase in annual mill throughput has been realized and commissioning is continuing in order to optimize grinding performance.
- Over the first two quarters of 2010, Toqui constructed a 1.5 megawatt wind farm which was placed in operation by July 2010 and subsequently, as a safety precaution, taken out of service in late October 2010 due to a blade design error. It is expected that the construction, delivery and installation of the new blades will be completed early in the second quarter of 2011 at a negligible cost to the Company. Toqui's hydro power and diesel generators are sufficient to replace the approximate 10% of Toqui power needs which are generated when the wind farm is operational.
- A new labour agreement was entered into and expires October 1, 2013

Myra Falls

- Work to improve metallurgical recoveries continued with favourable results
- Production of a saleable lead concentrate was achieved
- Marshall drift development for the year was 243 metres. Drifting was slower than planned due to ground conditions.
- Development and rehabilitation required to drill test the Price - South Flank connection have been completed with initial diamond drilling resulting in encouraging intersections
- Tailings disposal facility seismic outer berm upgrade was completed, with the exception of a till cap which will be placed in 2011

Langlois

- Development continued at Langlois during the fourth quarter of 2010 including completion of ramps from surface to the top of Zone 4 and a ramp internal to Zone 3 and development of selective production headings.
- The rate of mine development was increased during the fourth quarter of 2010 with commencement of preparation work to develop Zone 97. Development will be ongoing throughout 2011 and into 2012
- The current plan is to restart production during the first quarter of 2012
- Additional work was conducted during the fourth quarter of 2010. As a result, the Company exceeded its 2010 guidance for capital expenditures by approximately \$0.6 million

GROSS SALES REVENUE - FOURTH QUARTER AND YEAR ENDED DECEMBER 31, 2010 AND 2009

A breakdown of gross sales revenue for the three and twelve month periods ended December 31, 2010 and 2009 is set forth in the following tables.

Fourth Quarter 2010				
	Concentrate sold (tonnes)	Payable metal(1)	Realized price(1) (US\$)	Gross sales revenue (\$'000's)
Zinc	52,003	22,834	2,289	\$ 52,267
Copper	(2)	129	7,066	908
Lead	4,823	2,810	2,425	6,812
Gold(2)	1,382	8,830	1,318	11,637
Silver	n.a.	318,551	28.17	8,972
Price protection loss (3)	n.a.			(904)
	58,206			
Gross sales revenue in US\$				79,692
Exchange rate				1.0106
Gross sales revenue in C\$				\$ 80,540

Fourth Quarter 2009				
	Concentrate sold (tonnes)	Payable metal(1)	Realized price(1) (US\$)	Gross sales revenue (\$'000's)
Zinc	32,618	14,564	2,119	\$ 30,861
Copper	1,943	488	6,249	3,050
Lead	2,387	1,385	2,313	3,204
Gold(2)	1,453	6,964	1,094	7,622
Silver	n.a.	216,068	17.75	3,836
Price protection loss (3)	n.a.			(1,497)
	38,401			
Gross sales revenue in US\$				47,076
Exchange rate				1.0567
Gross sales revenue in C\$				\$ 49,744

(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, gold and silver were: US\$238,000; (US\$488,000); (US\$148,000); and, (US\$506,000) respectively in the fourth quarter of 2010.

2010

	Concentrate sold (tonnes)	Payable metal(1)	Realized price(1) (US\$)	Gross sales revenue (\$'000's)
Zinc	192,545	83,549	2,180	\$ 182,176
Copper	19,035	4,395	7,157	31,456
Lead	31,488	19,234	2,186	42,052
Gold(2)	8,736	52,916	1,195	63,209
Silver	n.a.	2,241,601	19.64	44,014
Price protection loss (3)	n.a.			(2,000)
Other(4)	n.a.			(437)
	251,804			
Gross sales revenue in US\$				360,470
Exchange rate				1.0301
Gross sales revenue in C\$				\$ 371,338

2009

	Concentrate sold (tonnes)	Payable metal(1)	Realized price(1) (US\$)	Gross sales revenue (\$'000's)
Zinc	159,286	70,152	1,545	\$ 108,358
Copper	16,640	3,653	4,475	16,348
Lead	20,017	12,183	1,654	20,147
Gold(2)	6,771	35,959	956	34,368
Silver	n.a.	1,729,954	14.09	24,367
Price protection loss (3)				(4,034)
Other(4)	n.a.			(441)
	202,714			
Gross sales revenue in US\$				199,113
Exchange rate				1.1372
Gross sales revenue in C\$				\$ 226,438

- (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\$1,654,000); US\$1,658,000; US\$252,000; US\$553,000; and, US\$1,191,000 respectively in 2010.
- (4) Other gross sales revenue represents revaluations of prior period concentrate receivables.

PRICE PROTECTION STRATEGY

As at February 24, 2011, the Company's hedge position consisted of:

Swaps/Forwards:

Metal	Quantity(1)	Price(US\$)(1)	2011 Period
Zinc	16,850	\$2,464	May to December
Lead	2,500	\$2,670	February
Silver	233,000	\$29	February to May
Gold	210	\$1,368	May

Puts and Calls:

Metal	Quantity(1)	Puts Bought Price (US\$)(1)	Calls Sold Price (US\$)(1)	Calls Bought Price (US\$)(1)	2011 Period
Zinc	10,000	\$ 2,040	n.a.	n.a.	February to June
Copper	1,400	\$ 7,716	n.a.	n.a.	April to July
Copper	800	\$ 8,269	\$ 9,665	\$ 12,000	April to July
Lead	1,100	\$ 2,315	\$ 2,565	n.a.	May
Silver	885,000	\$ 25	n.a.	n.a.	February to December
Silver	170,000	\$ 26	\$ 31	n.a.	October to November
Gold	16,000	\$ 1,256	n.a.	n.a.	March to December

(1) Quantities and prices for zinc, copper and lead are per tonne and for gold and silver are per ounce.

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	Fourth Quarter			Year		
	2010	2009	%	2010	2009	%
Zinc (tonnes)						
Mochito	8,255	10,683	-23	33,839	36,370	-7
Toqui	4,254	4,815	-12	20,014	19,635	2
Myra Falls	6,843	9,113	-25	32,686	30,900	6
	19,352	24,611	-21	86,539	86,905	-
Copper (tonnes)						
Myra Falls	822	893	-8	4,769	3,349	42
	822	893	-8	4,769	3,349	42
Lead (tonnes)						
Mochito	3,580	4,798	-25	16,954	14,471	17
Toqui	5	172	-97	415	1,025	60
Myra Falls	248	248	0	511	-	-
	3,828	4,970	-23	17,880	15,496	15
Gold (ounces)						
Toqui	9,339	13,102	-29	36,581	44,079	-17
Myra Falls	4,365	5,873	-26	20,003	15,526	29
	13,704	18,975	-28	56,584	59,605	-5
Silver (ounces)						
Mochito	441,737	540,972	-18	1,869,833	1,855,018	1
Toqui	24,481	51,470	-52	118,754	233,382	-49
Myra Falls	183,922	222,309	-17	732,796	578,008	27
	650,140	814,751	-20	2,721,383	2,666,408	2

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