

Katanga Mining Announces 2019 Fourth Quarter and Year End Financial Results

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ZUG, Switzerland, Feb. 13, 2020 - [Katanga Mining Ltd.](#) (TSX: KAT) ("Katanga" or the "Company") today announces its results for the fourth quarter and 2019 fiscal year. Katanga's Financial Statements and Management's Discussion and Analysis ("MD&A") will be available on SEDAR, www.sedar.com.

Operating Results

		Three months ended			Twelve months ended	
		Dec 31,	Sep 30,	Dec 31,	Dec 31,	Dec 31,
		2019	2019	2018	2019	2018
Sales*	\$'000	382,572	347,794	344,708	1,386,313	1,265,313
Mining, processing and other costs (net of changes in metal stocks)*	\$'000	(264,180)	(272,689)	(320,726)	(1,141,976)	(773,313)
Royalties and transportation costs*	\$'000	(72,848)	(70,904)	(54,326)	(268,172)	(201,613)
Depreciation and amortization	\$'000	(122,804)	(109,744)	(85,721)	(346,270)	(276,613)
Gross (loss) profit	\$'000	(77,260)	(105,543)	(116,065)	(370,105)	13,440
Other income (expenses)*	\$'000	(5,435)	(5,844)	(14,456)	(12,177)	(24,650)
Write-offs / loss on disposal of property, plant and equipment*	\$'000	(749)	(555)	(8,088)	(31,945)	(50,230)
Net finance costs	\$'000	(150,813)	(106,420)	(111,762)	(490,423)	(461,413)
Restructuring expenses	\$'000	-	-	-	-	(248,113)
Fines and penalties	\$'000	-	-	(22,248)	-	(22,248)
Income tax expense	\$'000	(3,702)	(8,395)	(3,557)	(18,637)	(12,940)
Net loss and comprehensive loss	\$'000	(237,959)	(226,757)	(276,176)	(923,287)	(806,230)
Non-controlling interests	\$'000	(26,431)	(41,189)	(48,718)	(152,978)	(97,770)
Attributable to shareholders of the Company	\$'000	(211,528)	(185,568)	(227,458)	(770,309)	(708,460)
Adjusted EBITDA*	\$'000	39,360	(2,198)	(52,888)	(67,957)	215,113
Basic and diluted loss per common share	\$/share	(\$0.05)	(\$0.10)	(\$0.12)	(\$0.19)	(\$0.37)
C1 costs**	\$/pound	2.30	2.50	2.53	2.59	1.79

*	The aggregation of sales, mining, processing and other costs, royalties and transportation costs, other income (expenses) and write-offs / loss on disposal of property, plant and equipment are included within adjusted EBITDA (Refer to item 22 of the Company's MD&A 'Non-IFRS measures').
**	C1 costs after by-product credit. Refer to item 22 of the Company's MD&A 'Non-IFRS measures'.

		Three months ended			Twelve months ended	
		Dec 31, Sep 30, Dec 31,		Dec 31, Dec 31, Dec 31,		
		2019	2019	2018	2019	2018
Copper revenue	\$'000	372,381	320,264	270,765	1,327,959	867,917
Cobalt revenue	\$'000	10,192	27,530	73,943	58,354	396,914
Concentrate revenue	\$'000	-	-	-	-	263
Total revenue	\$'000	382,573	347,794	344,708	1,386,313	1,265,094
Including net provisional pricing adjustment		13,903	7,389	(10,012)	20,514	(4,318)
Copper cathode sold	tonnes	63,864	60,530	48,686	234,495	145,743
Cobalt contained in hydroxide sold	tonnes	1,324	1,308	1,430	4,257	7,343
Copper contained in concentrate sold	tonnes	-	-	-	-	73
LME average copper price	\$/pound	2.67	2.63	2.80	2.72	2.96
Realized copper price*	\$/pound	2.22	2.02	2.10	2.15	2.23
MB average cobalt price	\$/pound	15.82	14.82	31.68	15.91	36.79

* Realized copper prices are based on gross copper revenue (above) after deducting realization charges, royalties and other selling expenses.

The movement in revenue is due to the following price and volume factors:

- Copper revenue increased to \$372.4 million in Q4 2019 from \$320.3 million in Q3 2019. Copper revenue increased to \$1,327.9 million in 2019 from \$867.9 million in 2018. The increase in copper revenue in Q4 2019 versus Q3 2019 was primarily due to higher copper sales and an increase in the realized copper price. During Q4 2019, an additional 3,334 tonnes were sold compared to Q3 2019. Markets improved and the realized copper price was also 10% higher on average than during Q3 2019 which also contributed to the additional revenue. The increase in copper revenue during 2019 versus 2018 was primarily due to an increase in copper sales driven by the WOL project ("WOL Project") ramp-up, partially offset by a lower realized copper price. Compared to 2018, an additional 88,752 tonnes of copper cathode was sold during 2019. However, the realized copper price was 5% lower on average compared to 2018.
- Cobalt revenue decreased to \$10.2 million in Q4 2019 from \$27.5 million in Q3 2019. Cobalt revenue decreased to \$58.4 million in 2019 from \$396.9 million in 2018. The decrease in cobalt revenue in Q4 2019 versus Q3 2019 was primarily due to a quality adjustment processed in Q4 2019. This was partially offset by increased sales volumes during Q4 2019 and a higher realized cobalt price.
- Included within sales is a net provisional pricing adjustment resulting from movements in the commodity price between the date of sale and the final pricing, based on average prices for a specified contractual period thereafter. At each reporting date, provisionally priced sales that have not been finalized, retain an exposure to future changes in prices and are marked-to-market, based on London Metal Exchange ("LME") and Metal Bulletin ("MB") forward prices. The final pricing and pricing are subject to final assayed results. These adjustments are recorded in sales in the consolidated statements of financial position and loss and comprehensive loss and within receivables on the consolidated statements of financial position. These derivatives, comprising provisional pricing, included in receivables, are classified within level 2 of the fair value hierarchy.

The movement in cost of sales, depreciation, royalties and transportation costs comprises:

	Three months ended			Twelve months ended	
	Dec 31,	Sep 30,	Dec 31,	Dec 31,	Dec 31,
	2019	2019	2018	2019	2018
Open pit mining costs	\$'000 34,686	38,006	37,283	132,124	116,985
Underground mining costs	\$'000 18,427	13,437	14,003	61,551	51,107
KTC processing costs	\$'000 18,927	22,331	28,533	91,375	81,260
Luilu refinery costs	\$'000 153,001	141,777	113,937	577,820	300,736
Change in metal stock	\$'000 (34,062)	(36,179)	11,806	(83,210)	(63,355)
Mine infrastructure and support costs	\$'000 73,201	93,317	114,544	358,779	283,494
Expense on issue of capital spares to production	\$'000 -	-	620	3,537	3,104
Depreciation and amortization	\$'000 122,804	109,744	85,721	346,270	276,638
Royalties and transportation costs	\$'000 72,848	70,904	54,326	268,172	201,682
Total cost of sales	\$'000 459,832	453,337	460,773	1,756,418	1,251,651

Review of Expenses for the Three Months and Year ended December 31, 2019:

- Gross loss decreased to \$77.3 million in Q4 2019 from \$105.5 million in Q3 2019. Gross loss increased to \$370.1 million in Q4 2019 from \$13.4 million gross profit in 2018. The decrease in gross loss in Q4 2019 compared to Q3 2019 was due to increased revenue together with reduced costs of production. The increase in revenue was due to an increase in realized prices as noted above. The decreased production costs are the result of improved efficiency attained in the production process which resulted in lower costs, partially offset by increased depreciation due to increased production volumes. In addition, the provision for obsolete inventory decreased by \$11 million during Q4 2019.

The increase in gross loss in 2019 compared to 2018 gross profit was driven by reduced cobalt revenue (volume and price), higher reagent costs at Luilu and an increase in total volumes processed, in line with the optimized mine plan. This was partially offset by an increase in copper revenue due to increased copper sales as noted above. In addition, the provision for obsolescence was increased by \$52 million during 2019 which resulted in an additional expense.

- Open pit mining costs decreased to \$34.7 million in Q4 2019 compared to \$38 million in Q3 2019. Open pit mining costs increased to \$132.1 million in 2019 from \$116.9 million in 2018. The decrease in open pit mining costs during Q4 2019 was due to a decrease in total material mined. Total material mined was lower due to decreased production at Luilu as a result of the processing constraints from the EW2 refurbishment as well as to a planned slowdown in order to begin implementation of efficiency initiatives. The increase in open pit mining costs during 2019 compared to 2018 was due to longer haul distances and cycle times, additional costs incurred due to changes in the maintenance strategy and higher blast costs.
- KTC processing costs decreased to \$18.9 million in Q4 2019 from \$22.3 million in Q3 2019. KTC processing costs increased to \$91.3 million in 2019 from \$81.2 million in 2018. KTC processing and operational costs have moved in line with the amount of material milled during the respective periods. The decrease during Q4 2019 is mainly due to the throughput constraints at the Luilu EW plant.
- Luilu refinery costs increased to \$153 million in Q4 2019 from \$141.8 million in Q3 2019. Luilu refinery costs increased to \$577.8 million in 2019 from \$300.7 million in 2018. Luilu refinery costs increased due to increased reagent costs, to increased sulphuric acid prices and consumption and increased lime prices and an increase in total oxide feed in line with the optimized mine plan.

- Royalties and transportation costs increased to \$72.8 million in Q4 2019 from \$70.9 million in Q3 2019. Royalties and transportation costs increased to \$268.1 million in 2019 from \$201.7 million in 2018. Royalties and transportation increased due to higher copper revenues and sales tonnes. The 2019 negative variance versus 2018 includes the from implementation of the 2018 Mining Code, which changed the basis of royalties from a net revenue to gross revenue basis, increased base royalty rates and cobalt being declared a "strategic mineral substance" and taxed at a high 10% of gross revenue from Q4 2018 (previously 3.5%).

About Katanga Mining Limited

[Katanga Mining Ltd.](#) operates a major mine complex in the Democratic Republic of Congo producing refined copper and cobalt. The Company has the potential to become Africa's largest copper producer and the world's largest cobalt producer. Katanga is listed on the Toronto Stock Exchange under the symbol KAT.

Forward Looking Statements

This press release may contain forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or describes a "goal", or variation of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. This press release may contain forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or describes a "goal", or variation of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

All forward-looking statements reflect the Company's beliefs and assumptions based on information available at the time the statements were made. Actual results or events may differ from those predicted in these forward-looking statements. All of the Company's forward-looking statements are qualified by the assumptions that are stated or inherent in such forward-looking statements, including the assumptions listed below. Although the Company believes that these assumptions are reasonable, this list is not exhaustive of factors that may affect any of the forward-looking statements.

Forward-looking statements involve known and unknown risks, future events, conditions, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, prediction, projection, forecast, performance or achievements expressed or implied by the forward-looking statements. Although Katanga has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking 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.

The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events, or otherwise, except in accordance with applicable securities laws.

SOURCE [Katanga Mining Ltd.](#)

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