Mercator Minerals Reports Second Quarter 2014 Results

07.08.2014 | Marketwired

(*All US$ unless otherwise specified*)

VANCOUVER, BRITISH COLUMBIA -- (Marketwired - Aug 7, 2014) - Mercator Minerals Ltd. (TSX: ML) ("Mercator" or the "Company") today announced its financial and operating results for the three months and six months ended June 30, 2014. During the second quarter 2014 ("Q2 2014"), the Company generated revenues of $69.8 million, cash flow from operations of $8.4 million, a net loss of $3.0 million (loss of $0.01 per share, basic) or an adjusted net income* of $5.2 million (adjusted earnings of $0.02 per share).

"Continued quarter over quarter improvements in productivity and lower costs allowed our Mineral Park Mine to generate $11.0 million in operating cash flows this quarter, the highest since Q3 2011," stated D. Bruce McLeod, President and CEO of Mercator. "Continued positive operating cash flows will allow Mineral Park to sustain the productivity gains made and to pursue additional low capital productivity improvements that are designed to provide further cost reductions."

Q2 2014 HIGHLIGHTS AND OTHER SIGNIFICANT ITEMS

- Copper equivalent** production of 19.4 million pounds, comprised of 8.8 million pounds of copper in concentrates and cathode and 2.6 million pounds of molybdenum in concentrates.
- Copper and molybdenum sales in Q2 2014 were 8.9 million pounds and 2.5 million pounds, respectively, which generated revenues of $69.8 million, or 9% higher than in Q2 2013. Despite the lower metal sale volumes, the primary reason for the higher revenues were the higher molybdenum prices realized ($16.00 per pound) and higher copper prices realized ($3.27 per pound) in Q2 2014 as compared to Q2 2013. The higher molybdenum prices realized were a result of higher molybdenum prices, and positive mark-to-market adjustment on molybdenum in concentrate sales. Despite lower copper prices in Q2 2014 than in Q2 2013, the higher copper prices realized were due to positive mark-to-market adjustment on copper in concentrate sales related to deliveries in prior periods.
- Total cash cost, as determined on a co-product accounting basis, for Q2 2014 was $2.43 per pound of total copper produced and $12.66 per pound of molybdenum produced as compared to $2.75 per pound of copper produced and $10.46 per pound of molybdenum produced in Q2 2013.
- Cash flow from operating activities was $8.4 million (the highest since Q3 2011), with $11.0 million from Mineral Park as a stand-alone operation.
- Unrestricted cash at June 30, 2014 was $9.2 million.

Overview

$ millions, unless otherwise noted	Three months ended, June 30		Six months ended, June 30	
	2014	2013	2014	2013
Revenues	69.8	64.2	111.1	118.7
Gross profit (loss)	10.8	(4.3)	-	(3.8)
Net (loss) income	(3.0)	8.8	(5.4)	10.5
Earnings (loss) per share, basic	(0.01)	0.03	(0.02)	0.03
Adjusted net (loss) income*	5.2	(10.7)	(11.6)	(19.7)
Adjusted (loss) earnings per share *	0.02	(0.03)	(0.04)	(0.06)
Cash flow from (used by) operations	8.4	3.8	(1.4)	3.9
Sales (million pounds)				
- Copper	8.9	10.9	15.5	18.8
- Molybdenum	2.5	2.8	4.6	5.1
Production (million pounds)				
- Copper	8.8	9.9	16.0	19.0
- Molybdenum	2.6	2.8	4.7	5.2
- Copper equivalent**	19.4	22.7	35.6	43.1
Throughput (tons per day)	41,601	45,177	38,808	43,964

Recoveries (%)				
- Copper	80.4	79.8	80.1	81.2
- Molybdenum	75.2	78.6	78.4	80.2
On-site operating costs ($/ ton milled)	11.62	10.75	12.06	10.95
Cash costs* on a co-product basis ($/lb)				
- Copper	2.43	2.75	2.75	2.74
- Molybdenum	12.66	10.46	10.46	10.75
Average realized prices ($/lb)				
- Copper (excluding hedges)	3.27	3.05	3.12	3.27
- Molybdenum	16.00	10.64	13.39	10.84

Revenues were 9% higher in Q2 2014 than in Q2 2013, primarily due to prices realized for copper being 7% higher and for molybdenum being 50% higher, which more than offset the 18% lower copper and 11% lower molybdenum sales. The 7% increase in realized copper prices is due primarily to mark-to-market adjustments on the Company's unsettled copper concentrate sales. The 50% increase in realized molybdenum prices is primarily due to a 30% increase in the average spot price of molybdenum with the balance of the increase a result of mark-to-market adjustments on the Company's unsettled molybdenum concentrate sales. Cash costs of production, when comparing Q2 2014 to Q2 2013, on a co-product accounting basis, were 12% lower for copper and 21% higher for molybdenum. On-site operating costs of $11.62 per ton milled in Q2 2014 were 8% higher, primarily due to mining in harder ore sections of the pit, resulting in lower throughput rates and higher operating costs. As a result of the above noted operating factors, gross profit was $10.8 million in Q2 2014, as compared to a loss of $4.3 million in Q2 2013. In addition to the impact of the mining operations, variations in net income achieved in Q2 2014 of $11.6 million, as compared to Q2 2013, were primarily impacted by realized and unrealized gains/losses on derivative instruments.

Mineral Park Mine

Since the receipt of the initial bridge loan proceeds in late December 2013 (see December 23, 2013 press release), Mineral Park has improved operations month over month throughout the first half of 2014 ("1H 2014") with Q2 2014 better than Q1 2014 operations. Total copper production in Q2 2014 was 8.8 million pounds, which was 23% higher than in Q1 2014, with June 2014 total copper production of 3.6 million pounds. Likewise, molybdenum production in Q2 2014 was 2.6 million pounds which was 18% higher than in Q1 2014, with May and June 2014 molybdenum production totaling 2.0 million pounds.

Total tons mined of 7.7 million in Q2 2014 were 35% higher than in Q1 2014, with June 2014 at 2.4 million tons mined. The sequentially higher mining rate is primarily attributed to improved equipment availability and productivity improvement initiatives (including continued blasting optimizations). Copper grades mined were consistent quarter over quarter at 0.14% with molybdenum grades mined slightly higher than prior quarters at 0.045%.

The average throughput rate in the mill in Q2 204 was 41,601 tpd, with June 2014 mill throughput rate of 43,217 tpd (despite both SAG mills having taken downtime to be re-lined during the month). The increased throughput was achieved despite the harder than expected ore mined, and is a result of several productivity initiatives underway (including grinding circuit optimizations and an on-site contract pebble crusher). Recoveries of 80.4% and 75.2%, for copper and molybdenum, respectively, in Q2 2014 continue to be above mill design rates.

Outlook

Although guidance has not been provided for H2 2014, the Company believes the production increase reflected in the H1 2014 results are sustainable and based on the following initiatives:

- Enhanced mill throughput rates with continued process optimization;
- Optimization of the mining fleet;
- The pushback into softer, higher grade supergene ore in the Ithaca pit in Q4 2014;
- Optimized mine plan with higher grade ores to be mined in the near term to better match current commodity prices;
- Increased mining of leach ores to better utilize existing SX/EW plant capacity;
- Increased warehouse stocks with a larger inventory of critical spare parts;
- Concentrator flow sheet optimization to reduce reagents and increase concentrate grades;
- Further optimization of the SAG mills to achieve higher throughput; and
- On-site contract pebble crusher to improve grinding capacity.

Strategic Review

With the termination of the Intergeo Transaction and the forbearance granted by MPI Lenders in exercising their various rights and remedies under the MPI Credit Facility until up to August 15, 2014 (see August 1, 2014 press release), the Company, with the support of its financial advisor, BMO Capital Markets, is fully considering its strategic alternatives that may include, but are not limited to, a sale of the Company, a business combination with another entity, a sale of all or a portion of the assets of the Company, a strategic investment in the Company or any combination thereof.

At present, there can be no assurance as to what, if any, strategic alternatives might be pursued by the Company. The Company does not intend to disclose further details with respect to its evaluation of its strategic alternatives unless and until the board of directors has approved a specific transaction or it otherwise determines that disclosure is appropriate.

As a result of the ongoing strategic process, management will not be hosting a webcast/conference call to discuss Q2 2014 financial results, nor will the Company be providing production guidance.

Financial Statements and Management Discussion & Analysis (MD&A)

This news release should be read in conjunction with the MD&A and Financial Statements for the three and six month period ended June 30, 2014 which has been posted on Mercator's website (www.mercatorminerals.com/s/FinancialStatements.asp) and on SEDAR (www.sedar.com) under the Company's profile.

*** Alternative Performance Measures**
This press release refers to "cash costs" and "adjusted net income (loss)" which are not performance measures recognized as having a standardized meaning under IFRS. The Company discloses these performance measures, which have been derived from the financial statements on a consistent basis, because the Company believes they are of assistance in understanding the results of Mercator's operations and financial position, and are meant to provide further information about the Company's financial results to the investors. These performance measures may not be comparable to similar data presented by other mining companies. This information should not be considered in isolation or as a substitute for measure of performance prepared in accordance with IFRS. Readers should refer to "Alternative Performance Measures" section of the Q2 2014 MD&A for additional information.

**** Copper equivalent production**
All references to 2014 copper equivalent production is calculated using a molybdenum/copper ratio of 4.15 (based on the Company's estimated 2014 beginning of year metal prices) and 4.65 for 2013 copper equivalent production (based on the Company's estimated 2013 beginning of year metal prices). All calculations include adjustments for the Company's copper forward sales program.

Quality Assurance/Quality Control

Gary Simmerman, BSc Mining Eng, FAusIMM, a consultant to the Company and a Qualified Person as defined by National Instrument 43-101, supervised the preparation of and verified the technical information contained in this news release.

About Mercator Minerals Ltd.

Mercator Minerals Ltd., a TSX listed base metals mining company, operates the wholly‐owned copper/molybdenum/silver Mineral Park Mine in Arizona, USA. Mercator also wholly‐owns two development projects in Sonora, Mexico: the copper heap leach El Pilar project and the molybdenum/copper El Creston project.

For further information please visit www.mercatorminerals.com.

On Behalf of the Board of Directors

MERCATOR MINERALS LTD.
D. Bruce McLeod, P.Eng, President and CEO

Forward‐Looking Information

This news release contains certain forward‐looking information within the meaning of Canadian securities legislation and forward‐looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Forward‐looking statements relate to future events or future performance and reflect the expectations or beliefs regarding future events of management of Mercator. When used in this document, the words "anticipates", "may", "can", "believes", "expects", "projects", "intends", "likely", "will", "to be" or the negative of these terms and any similar expressions and any other statements that are not historical facts, in each case as they relate to Mercator, are intended to identify those assertions as forward‐looking information and statements. In making such statements, the Company believes that its expectations are based on reasonable assumptions. However, any such statement may be influenced by factors that could cause actual outcomes and results to be materially different from those projected or anticipated. This information and these statements, referred to herein as "forward‐looking statements", are not historical facts, are made as of the date of this news release and include without limitation, statements regarding discussions of future plans, improved operations, current metal prices, positive cash flows, future plans, objectives, estimates and forecasts and statements as to management's expectations with respect to, among other things the successful completion of strategic alternatives and the ability to meet obligations under the Credit Facility and other debt instruments, may constitute forward‐looking statements. These forward-looking statements involve numerous risks and uncertainties and actual results may vary. Important factors that may cause actual results to vary include without limitation, certain transactions, the successful completion of strategic alternatives and the ability to meet obligations under certain credit facilities and other debt instruments, unanticipated events related to operational risks, metal price fluctuations, changes in cash flow, political risk, social unrest, and changes in general economic conditions or conditions in the financial markets. In making the forward‐looking statements in this news release, the Company has applied several material assumptions, including without limitation, commodity prices and continued improvements in throughput and production. Certain of the risks and assumptions are described in more detail in Mercator's Annual Information Form as well as in Mercator's Annual and Interim Financial Statements and MD&A for the year ended December 31, 2013 and six months ended June 30, 2014 respectively on the SEDAR website at www.sedar.com. The actual results or performance by Mercator could differ materially from those expressed in, or implied by, any forward‐looking statements relating to those matters. Accordingly, no assurances can be given that any of the events anticipated by the forward‐looking statements will transpire or occur, or if any of them do so, what impact they will have on the results of operations or financial condition of Mercator. Except as required by law, the Company is under no obligation, and expressly disclaims any obligation, to update, alter or otherwise revise any forward‐looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

National Instrument 43-101 Compliance

Unless otherwise indicated, Mercator has prepared the technical information in this news release ("Technical Information") based on information contained in the technical reports, news releases, material change reports and quarterly and annual consolidated financial statements and management discussion and analysis (collectively the "Disclosure Documents") available under Mercator Minerals Ltd.'s company profile on SEDAR at www.sedar.com. Each Disclosure Document was prepared by or under the supervision of a qualified person (a "Qualified Person") as defined in National Instrument 43-101 Standards of Disclosure for Mineral Projects of the Canadian Securities Administration ("NI 43-101"). Readers are encouraged to review the full text of the Disclosure Documents which qualifies the Technical Information. Readers are advised that mineral resources that are not mineral reserves do not have demonstrated economic viability. The Disclosure Documents are each intended to be read as a whole, and sections should not be read or relied upon out of context. The Technical Information is subject to the assumptions and qualifications contained in the Disclosure Documents. The Technical Information contained in this news release has been prepared under the supervision of, and its disclosure has been reviewed by Gary Simmerman, BSC, Mining Eng., FAusIMM, a consultant to the Company, who is a Qualified Person as defined under NI 43-101.

Contact

Mercator Minerals Ltd.
D. Bruce McLeod, P.Eng., President & CEO
778.330.1290
bmcleod@mercatorminerals.com

Mercator Minerals Ltd.
David Jan, CPA, CA, Head of Investor Relations & Communications
778.330.1295
djan@mercatorminerals.com
www.mercatorminerals.com