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## Hudbay Minerals' (HBM) CEO Alan Hair on Q1 2018 Results - Earnings Call Transcript

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by: SA Transcripts

### Q1: 04-26-18 Earnings Summary

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EPS of \$0.16 misses by \$-0.02 | Revenue of \$386.7M (+ 47.7% Y/Y) beats by \$21.73M

We're now in a position to focus our attention to delineate and confirm the mineability [ph] of the gold and copper gold zones at depth. The 2017 mining test targeted the gold mineralization in the mineral resource envelope, 6,000 tonne bulk sample of gold ore, was systematically blended with Lalor base metal ore and processed in the Flin Flon mill, achieving 65% recovery of gold to copper concentrate.

Test mining is underway in the gold mineralization on two levels; the 975 meters level and the 995 meters level. To test continuity and gain knowledge and understanding of the gold ore grade indicators within the mineral envelope. Results to date show good grade continuity on a round by round basis. The first 4,510 tonnes average 14.5 grams per tonne gold, when geologically directed utilizing selective mining methods. This test mining was designed to target the high grade portion of a lower grade mineral resource.

In this process, we are evaluating the geometry of the mineralization and therefore, the appropriate mining method to provide the best return and highest recovery of extraction of the gold for future mine plants. This process will also help to establish the conversion ratio of resource to a higher grade reserve. The continuity of high grade gold is supporting the decision to advance a development decline below the 1,015 meter level in the footwall zone, parallel to the plunge of the mineralization.

Also, diamond drilling below the 1,015 meter level was completed in the first quarter and indicates that the mineralization continues, though assays are pending. We are further encouraged by a surface hole that intersected eight meters of 9.8 grams per tonne gold, approximately 300 meters down plunged from the current test mining area. The team is

also evaluating other areas for gold test mining to further understand the gold mineralization of the zone, which will help establish consistent gold production in the second half of 2018 and onward.

Other exploration targets exist that are accessible from the mine, including base metal zone extensions and other possible copper gold feeder zones. The indicated mineral resource of the copper gold zone 27, scheduled to be in production in 2019, is currently being developed by new main axis decline. Work is underway to establish a mine design that uses existing mining's infrastructure, including ventilation, power and dewatering, a new development to safely access the zone. We believe that the copper gold zone resources appear to lend themselves well to conversion to reserve.

It is important to understand that the nature of the gold zone mineralization at Lalor does not lend itself to conversion en masse from a resource mineral envelope to a reserve. Historically, some of the major gold camps in Canada carry two or three year's reserve ahead of production due to the erratic nature of high grade gold ores. We believe this deposit may prove to be similar in some characteristics. However, our efforts will be focused on gaining a better understanding.

So in summary, we're encouraged by the progress we have made at Lalor. To recap, Lalor is on target to achieve the ramp up of 4,500 tonnes per day by the third quarter 2018. The shaft has a capacity of 6,000 tonnes a day. Early results from mining on two levels are giving us confidence of a continuous high grade gold zone. Ramp development is underway to access additional gold mineralization in 2018 and the mining of the copper gold zone in 2019 is on target.

With the closure of the Reed later this year, we have excess milling capacity at Flin Flon with tests validating a favorable gold recovery of approximately 65%. Nevertheless, we continue to advance the permitting process for the potential refurbishment of the New Britannia mill to maintain a possible restart as one of our processing options. New zones continue to be evaluated in the base metal gold and copper gold mineralization, and we look forward to continuing the rich underground tradition of building and extending the life of the underground reserves as has been done for decades in the Flin Flon greenstone belt.

