

# Karora Resources Q1 2022 Results Hit by Covid

[Karora Resources Inc. \(TSX: KRR\)](#)

Announced its financial results and review of activities for the three months ended March 31, 2022.

Costs were significantly higher than guidance as a result of covid 19 infections disrupting the mining staff, and some production was routed through toll mining at a higher cost.  
[...]

Karora Resources	TSX: KRR
Stage	Production + Development + Exploration
Metals	Gold + Nickel
Market cap	C\$791 million @ C\$5.10
Location	Kalgoorlie, Western Australia



Karora Resources – Mining at Higginsville.

## Karora Resources' Q1 2022 results significantly miss guidance due to covid 19

TORONTO, May 12, 2022 /CNW/ – **Karora Resources Inc. (TSX: KRR) (OTCQX: KRRGF)** (“Karora” or the “Corporation”) is pleased to announce its financial results and review of activities for the three months ended March 31, 2022.

All amounts are expressed in Canadian dollars, unless otherwise noted. For additional information please refer to Karora’s Management’s Discussion & Analysis (“MD&A”) and unaudited condensed interim financial statements for the three months ended March 31, 2022 and 2021.

# Highlights

- First quarter 2022 consolidated gold production of 27,489 ounces was in line with the mine plan and budget despite a number of temporary challenging COVID-19 related conditions, including lower labour availability, higher absenteeism due to isolation requirements and supply chain constraints. *Karora remains on track to deliver on full year consolidated 2022 gold production guidance of 110,000 to 135,000 ounces* (assumes no significant interruption to operations as a result of the COVID-19 virus and improved operating conditions in the second half of 2022).
- *First quarter 2022 consolidated all-in-sustaining-costs ("AISC")<sup>1</sup> of US\$1,396 per ounce sold is a 33% increase compared to first quarter 2021 AISC of US\$1,049 per ounce sold (34% increase compared to fourth quarter 2021 AISC of US\$1,042 per ounce sold).*
- *First quarter AISC was negatively impacted by a number of cost pressures, many of which are expected to be temporary in nature including those caused by material COVID-19 related labour and supply shortages in Western Australia which carried both direct and indirect costs. During the quarter, labour availability reached a low of approximately 60%, prompting the need for additional contract labour.* As a result of labour shortages, additional higher cost stockpile were processed at Higginsville. Absenteeism is expected to improve during the second quarter.
- *First quarter 2022 costs were also negatively impacted by the use of third party toll milling for approximately 15% of production during the first quarter to help offset the impact of Covid-19 related absenteeism at the Higginsville Mill, which added approximately US\$50 per*

*ounce to AISC*. In total, costs were negatively impacted by approximately US\$300 per ounce due to direct and indirect COVID related events. As with mining operations, absenteeism has improved during the second quarter. *Full-year 2022 cost guidance remains unchanged at a range of US\$950 to \$1,050 per ounce sold.*

- *Net loss of \$3.7 million, or \$0.02 per share, for the first quarter of 2022 was down \$9.3 million compared to first quarter 2021 net earnings of \$5.6 million, or \$0.04 per share. The first quarter net loss was largely due to third-party toll milling, higher operating costs in part due to more ounces from HGO which have a higher cost per ounce, and a number of temporary challenging COVID-19 related conditions, including lower labour availability, higher absenteeism, and supply chain constraints.*
- Adjusted earnings<sup>1</sup> of \$1.1 million, or \$0.01 per share for the first quarter of 2022, down \$7.0 million compared to first quarter 2021 adjusted net earnings of \$8.1 million, or \$0.06 per share.
- Adjusted EBITDA<sup>1</sup> was \$12.2 million or \$0.08 per share for the first quarter of 2022, down \$9.0 million from \$21.2 million in the first quarter of 2021, largely due to higher costs (including transitory costs related to COVID) and non-cash adjustments related to share-based payments, derivatives and foreign exchange related to intercompany loans.
- Cash flow from operating activities of \$12.2 million, or \$0.08 per share, a 35%, decrease compared to \$18.7 million for the first quarter of 2021.
- *Karora's cash position remained strong at \$78.1 million as at March 31, 2022, after planned capital deployment to prepare new mining areas at Higginsville, accelerated exploration programs and planned growth plan expenditures.*
- Karora released an updated Nickel Resource at Beta Hunt.

The Measured and Indicated Mineral Resource estimate, dated January 31, 2022, increased 22% to 19,600 nickel tonnes and Inferred Mineral Resource increased by 52% to 13,200 nickel tonnes ounces compared to the September 30, 2020 estimate.

- Karora published its inaugural Environmental Social and Governance (ESG) report in April 2022, which is available for download on Karora's website. The report was highlighted by Karora's achievement of becoming one of the first junior gold producers to achieve carbon neutrality in 2021 for Scope 1 and 2 at its own operations following the purchase and retirement of verified carbon offset credits.
- *In March 2022, Karora was added to the NYSE Arca Gold Miners Index (GDMNTR), which is tracked by the VanEck Vectors Gold Miners EFT (GDX).*
- Solid progress on key gold production growth plan initiatives:
  - Beta Hunt second decline portal box cut approximately 75% complete and decline development from underground has advanced approximately 300 metres.
  - Critical path items on schedule for the Higginsville Mill expansion from 1.6 Mtpa to 2.5 Mtpa are on schedule, including advanced engineering design and the awarding of the contract for the SAG mill.
- *Consolidated Measured and Indicated Gold Mineral Resource estimate dated January 31, 2022, increased by 8% to 2.71 million ounces, compared to the September the 30, 2020 estimate. The updated Consolidated Inferred Gold Mineral Resource increased 43% to 1.21 million ounces compared to the prior estimate.*
- *Gold mineralization in the Fletcher Shear Zone, the third major Beta Hunt Shear Zone, has been extended to over 500 metres along strike and 150 metres in vertical*

*extent and remains open along strike and at depth* (see Karora news release dated January 24, 2022).

- Gamma Block gold mineralization, proximal to the 50C nickel discovery, confirmed over a 200 metre strike length with new resulting including 7.6 g/t over 8.4 metres and 3.4 g/t over 33.6 metres (see Karora news release dated January 24, 2022).
- *Drilling at the high grade 50C nickel discovery which is part of the Gamma Block Nickel Mineral Resource (see Karora news release dated May 11, 2022) has confirmed significant nickel mineralization over 800 metres in strike with potential to extend a further 1.9 kilometres to 2.6 kilometres of strike.*

For brevity, this summary has been redacted, to read the full news release, please click [HERE](#)

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If you need clarification of any information contained in this note, or have any questions about **Karora Resources**, I will be delighted to assist – Please email [andrew@city-investors-circle.com](mailto:andrew@city-investors-circle.com)

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## Disclosure

At the time of writing the author owns shares in **Karora Resources**, bought in the market at the prevailing price on the day of purchase.

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