San Gold Reports 2013 Annual and Fourth Quarter Results

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WINNIPEG, MANITOBA--(Marketwired - Mar 20, 2014) - San Gold Corp. (TSX:SGR)(OTCQX:SGRCF) today reported 2013 annual and fourth quarter financial and operating results.

During the quarter, the Company recognized a non-cash impairment charge of $83.1 million resulting in a net loss of $91.7 million for the quarter and $111.3 million for the year. Excluding the impairment, the net loss was $8.6 million for the quarter and $28.2 million for the year. The reduction in the carrying value of the Company's assets reflects changes in market conditions and lower gold prices.

The Company adopted a more disciplined approach to capital allocation and operational expenditures in 2013 in response to difficult market conditions. Capital expenditures were reduced by $20.9 million with an additional $20 million in reductions expected this year. The Company also reduced cash operating expenditures by $4.7 million in 2013 while achieving record mill throughput of 1,758 tons per day and record mine production of 1,724 tons per day.

"Over the past year, we have taken a number of critical steps toward optimizing the Rice Lake Complex and integrating operations between the Rice Lake and Hinge/007 mines. We have now become a significantly more efficient operation. We have initiated a detailed review of our operations in order to ensure we are well-positioned to take advantage of recent improvements in our cost structure as we shift our focus to the recently discovered high-grade zones at the eastern extent of the Rice Lake mine," said Gestur Kristjansson, San Gold's acting Chief Executive Officer.

Full Year Financial and Operating Highlights

- Achieved annual production guidance, producing 75,218 ounces of gold.
- Achieved record mill throughput of 1,758 tons per day.
- Recognized revenue of $106.3 million on gold sales of 75,233 ounces of gold at a realized price of $1,412 per ounce.
- Generated cash flow from operating activities before changes in non-cash working capital of $5.6 million.
- Recognized an operating loss of $0.1 million and net loss of $28.2 million for the year before a non-cash impairment charge of $83.1 million. Including the non-cash impairment, the operating loss was $83.2 million and the net loss was $111.3 million.
- Recognized total cash costs of $947 per ounce of gold sold.
- Had a cash and cash equivalents balance of $8.9 million as at December 31, 2013.
- Completed approximately 208,000 m of exploration and definition diamond drilling.
- Completed agreements on claims located within the Rice Lake gold belt and northeast of Rainy River that give the Company 100% ownership of select claims while reducing cash commitments associated with prior agreements.

Fourth Quarter Financial and Operating Highlights

- Production of 15,118 ounces of gold.
- Achieved mill throughput of 1,609 tons per day.
- Recognized revenue of $22.9 million on gold sales of 17,211 ounces at a realized price of $1,332 per ounce.
- Recognized an operating loss of $2.9 million and a net loss of $8.6 million for the quarter before a non-cash impairment charge of $83.1 million. Including the non-cash impairment, the operating loss was $86.0 million and the net loss was $91.7 million for the quarter.

Subsequent Events

- Appointed CFO Gestur Kristjansson as acting CEO.
- Closed a US$23.8 million debt financing with provisions for an additional US$41.25 million subject to various approvals.

Review of 2013 Annual and Fourth Quarter Financial Results

Gold sales revenue for the year ended December 31, 2013 of $106.3 million was 25% lower than revenues of $142.1 million recognized in the previous year. The decrease in gold sales revenue is a result of a 15% decrease in the average realized gold price compared to the prior year and a 12% decrease in the number of ounces sold. Gold sales revenue in the fourth quarter of 2013 of $22.9 million was 33% lower than revenues of $34.1 million recognized in the fourth quarter of 2012. The decrease in gold sales revenue in the fourth quarter of 2013 is a result of a 21% decrease in the average realized gold price and a 15% decrease in the number of ounces sold compared to the fourth quarter of 2012.

The Company recorded a non-cash impairment of $83.1 million on December 31, 2013, upon completion of its annual assessment of the value-in-use of its mineral properties.

Total and comprehensive loss was $111.3 million compared to $13.2 million for the year ended December 31, 2012. Total and comprehensive loss of $91.7 million in the fourth quarter of 2013 decreased relative to total and comprehensive loss of $3.9 million in the fourth quarter of 2012. Excluding the non-cash impairment charge of $83.1 million, total and comprehensive loss was $28.2 million for the year and $8.6 million for the fourth quarter.

Loss from operations for the year ended December 31, 2013 was $83.2 million, representing a significant reduction relative to a loss from operations of $17.9 million in the same period of last year. Loss from operations in the fourth quarter of 2013 was $86.0 million compared to income from operations of $3.0 million in the same period of last year. Excluding the non-cash impairment charge of $83.1 million, operating loss was $0.1 million for the year and $2.9 million for the fourth quarter.

The changes in income resulted primarily from reductions in gold revenue, increased interest expense associated with convertible debentures issued in 2013, and the recognition of the non-cash impairment charge. These changes were partially offset by a $13.2 million decrease in non-cash depletion and amortization, a $3.8 million decrease in share-based compensation expense, and a $5.0 million decrease in the equity loss from an associate company. Depletion expense has decreased due to a lower per ounce depletion charge as a result of reduced mine development capital expenditures and increased reserve and resource base used in calculating the expense. The per ounce depletion charge is expected to decrease further given the reduced carrying value of mineral properties and the anticipated reductions to capital expenditures and upgrades to the Company's resources and reserves to higher confidence categories. For the year and fourth quarter ended December 31, 2013, the Company did not recognize any equity losses from associated companies while it did recognize mark to market losses on portfolio gold company investments.

For the year ended December 31, 2013, cash flow from operations before changes in non-cash working capital decreased to $5.6 million, compared to $42.1 million in 2012. After changes in non-cash working capital, cash flow from operations was $2.0 million in 2013, a substantial reduction compared to $51.1 million in the prior year. Non-cash working capital was a use of cash in 2013 compared to a source of cash in 2012, which is largely attributable to the timing of sales, production and accounts payable.

Subsequent to year end, the Company closed the first tranche of a private placement offering of senior secured convertible notes. At the first closing, the Company issued US$23,750,000 aggregate principal amount of Notes to institutional subscribers. The proceeds from the offering will be used to fund continued development of the Company's mineral properties, in particular the Rice Lake Complex, and for general working capital purposes. This placement significantly strengthens the Company's balance sheet and provides financial flexibility to advance capital projects associated with the integration of our Rice Lake and Hinge/007 mines.

Outlook

2014 will mark another significant step forward in the evolution of the Rice Lake Complex as the Company establishes operational access on 16 Level and completes the integration of the Rice Lake and Hinge/007 mines. This development will also provide definition drilling access in the adjacent L10, 08, 6163 and L13 zones and support the continued exploration of nearby exploration targets identified through the Company's recent geologic structural analysis.

The Company achieved substantial cost efficiencies in 2013, especially in terms of capital and cash operating expenditures. Mining operations will continue in the Hinge, 007 and Rice Lake mines. Capital expenditures are expected to be further reduced and surface drilling will be largely curtailed this year. Underground drilling will be focused on supporting production and upgrading our large mineral resource.

The Company has formed a technical committee to evaluate all aspects of its Rice Lake operations. The intent of this rigorous review is to build on the efficiencies achieved in 2013 and create a clear path to profitability. Operations are continuing as previously planned and any changes to the Company's production, cash cost, and capital expenditure guidance resulting from this review will be disclosed when they become available.

2013 Annual and Fourth Quarter Results Conference Call

The Company's senior management plans to host a conference call on March 21, 2014 at 11 am Eastern Time to discuss the 2013 fourth quarter financial results and to provide an update of the Company's operating, exploration, and development activities.

Participants may join the conference call by dialing 1 (866) 225-0198 or 1 (416) 340-8061 for participants outside of Canada and the United States. The conference call will also be available by webcast on the Company's website at www.sangold.ca.

A recorded playback of the conference call can be accessed after the event until April 6, 2014 by dialing 1 (800) 408-3053 or 1 (905) 694-9451 for calls outside Canada and the United States. The pass code for the conference call playback is 1727973. The archived audio webcast will also be available on the Company's website at www.sangold.ca.

About San Gold

San Gold is an established Canadian gold producer, explorer, and developer that owns and operates the Rice Lake Mining Complex near Bissett, Manitoba. San Gold is on the Toronto Stock Exchange under the symbol "SGR" and on the OTCQX under the symbol "SGRCF".

This press release should be read in conjunction with the Company's consolidated financial statements for the quarter ended December 31, 2013 and associated Management's Discussion and Analysis ("MD&A"), which are available from the Company's website (www.sangold.ca), in the "News & Reports" section under "Financial Statements", and on SEDAR (www.sedar.com).

Cautionary Non-IFRS Statements

The Company believes that investors use certain indicators to assess gold mining companies. They are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared with International Financial Reporting Standards ("IFRS"). "Total cash operating costs" as used in this analysis is a non-IFRS term typically used by gold mining companies to assess the level of gross margin available to the Company per ounce of gold by subtracting these costs from the unit price realized during the period. This non-IFRS term is also used to assess the ability of a mining company to generate cash flow from operations. There may be some variation in the method of computation of "total cash operating costs" as determined by the Company compared with other mining companies. In this context, "total cash operating costs" reflects the per ounce cash costs allocated from in-process and dore inventory associated with ounces of gold sold in the period and net royalties. "Total cash operating costs" may vary from one period to another due to operating efficiencies, quantity of ore processed, grade of ore processed, and gold recovery rates.

Cautionary Note Regarding Forward Looking Statements

No stock exchange, securities commission or other regulatory authority has approved or disapproved the information contained herein. This news release includes certain "forward-looking statements". All statements, other than statements of historical fact included in this release, including, without limitation, statements regarding forecast gold production, gold grades, recoveries, cash operating costs, potential mineralization, mineral resources, mineral reserves, exploration results, and future plans and objectives of the Company, are forward-looking statements that involve various risks and uncertainties. These forward-looking statements include, but are not limited to, statements with respect to mining and processing of mined ore, achieving projected recovery rates, anticipated production rates and mine life, operating efficiencies, costs and expenditures, changes in mineral resources and conversion of mineral resources to proven and probable mineral reserves, and other information that is based on forecasts of future operational or financial results, estimates of amounts not yet determinable and assumptions of management.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "estimates" or "intends", or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved) are not statements of historical fact and may be "forward-looking statements." Forward-looking statements are subject to a variety of risks and uncertainties that could cause actual events or results to differ from those reflected in the forward-looking statements.

There can be no assurance that forward-looking statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from the Company's expectations include, among others, the actual results of current exploration activities, conclusions of economic evaluations and changes in project parameters as plans continue to be refined as well as future prices of precious metals, as well as those factors discussed in the section entitled "Other MD&A Requirements and Additional Disclosure and Risk Factors" in the Company's most recent quarterly Management's Analysis and Discussion ("MD&A"). Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such 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.

Exploration results that include geophysics, sampling, and drill results on wide spacings may not be indicative of the occurrence of a mineral deposit. Such results do not provide assurance that further work will establish sufficient grade, continuity, metallurgical characteristics, and economic potential to be classed as a category of mineral resource. A mineral resource that is classified as "inferred" or "indicated" has a great amount of uncertainty as to its existence and economic and legal feasibility. It cannot be assumed that any or part of an "indicated mineral resource" or "inferred mineral resource" will ever be upgraded to a higher category of resource. Investors are cautioned not to assume that all or any part of mineral deposits in these categories will ever be converted into proven and probable reserves.

Cautionary Note to United States and Other Investors Concerning Estimates of Measured, Indicated and Inferred Mineral Resources:

This press release uses the terms "Measured", "Indicated", and "Inferred" resources. United States investors are advised that while such terms are recognized and required by Canadian regulations, the United States Securities and Exchange Commission does not recognize them. "Inferred Mineral Resources" have a great amount of uncertainty as to their existence, and as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or pre-feasibility studies. United States investors are cautioned not to assume that all or any part of Measured or Indicated Mineral Resources will ever be converted into Mineral Reserves. United States investors are also cautioned not to assume that all or any part of a Mineral Resource is economically or legally mineable.

Table 1: 2013 Income Statement

SAN GOLD CORPORATION

CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS

FOR THE YEARS ENDED DECEMBER 31

	2013	2012
REVENUE	$ 106,264,073	$ 142,141,548
OPERATIONS		
Operations (Note 18)	106,384,190	124,252,043
Impairment charge (Note 19)	83,100,000	-
INCOME FROM OPERATIONS	(83,220,117)	17,889,505
Exploration	16,407,573	16,716,995
General and administrative (Note 20)	11,385,319	13,582,032
LOSS BEFORE OTHER INCOME AND EXPENSES	111,013,009	12,409,522
OTHER INCOME AND EXPENSES		
Finance income - net (Note 21)	(271,014)	368,087
Finance costs (Note 21)	(5,498,679)	(391,083)
Equity loss of associate (Note 9)	-	(5,030,000)
LOSS BEFORE INCOME TAX	116,782,702	17,462,518
Income tax recovery on flow-through shares (Note 22)	5,455,981	4,274,846
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	$ 111,326,721	$ 13,187,672
NET LOSS PER COMMON SHARE: (Note 25)		
Basic	$ (0.32)	$ (0.04)
Diluted	$ (0.32)	$ (0.04)

Table 2: Financial Highlights

	YTD 2013	YTD 2012
Total and comprehensive income (loss) (000)	$ (111,327)	$ (13,188)
Items not affecting cash (000)	$ 116,904	$ 55,279
Cash provided (used) by operating activities before changes in non-cash working capital (000)	$ 5,577	$ 42,091
Net change in non-cash working capital (000)	$ (3,547)	$ 8,981
Cash provided by operating activities (000)	$ 2,031	$ 51,072
Earnings (loss) per share		
- basic	$ (0.32)	$ (0.04)
- diluted	$ (0.32)	$ (0.04)
Weighted average number of common shares outstanding		
- basic	346,585,944	324,862,278
- diluted	346,585,944	324,862,278

Table 3: Production Summary and Statistics

	YTD 2013	YTD 2012	Change (#)	Change (%)
Ore milled (tons)	641,710	629,276	12,434	2 %
Head grade (g/tonne Au)	4.32	5.06	(0.74)	-15 %
Contained gold (ounces)	80,828	92,948	(12,120)	-13 %
Ounces of gold produced	75,218	86,506	(11,288)	-13 %
Ore mined (tons)	629,311	615,344	13,967	2 %
Ore milled per day (tons)	1,758	1,719	39	2 %
Ore mined per day (tons)	1,724	1,681	43	3 %
Mill recovery (%)	93 %	93 %	0 %	0 %

Table 4: Quarterly Production Summary and Statistics

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Ore milled (tons)	148,042	175,311	162,344	156,013	168,088	191,105	116,546	153,537
Head grade (g/tonne Au)	3.78	4.24	5.05	4.15	4.22	5.21	5.70	5.35
Contained gold (ounces)	16,308	21,672	23,964	18,884	20,539	29,029	19,385	23,995
Ounces of gold produced	15,118	20,220	22,526	17,354	19,019	27,084	18,241	22,162
Ore mined (tons)	144,165	167,937	173,350	143,859	171,351	143,949	155,495	144,549
Ore milled per day (tons)	1,609	1,906	1,784	1,733	1,827	2,077	1,281	1,687

Ore mined per day (tons)	1,567	1,825	1,905	1,598	1,863	1,565	1,709	1,588
Mill recovery (%)	93 %	93 %	94 %	92 %	93 %	93 %	94 %	92 %

NOTE: Final refinery settlements, or the effects of rounding, may have resulted in increases or decreases to reported gold production.

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