Crocodile Gold Reports Strong Operating Cash Flow of $18.2 Million on Revenue of $73.3 Million in Q3 2014

10.11.2014 | Marketwired

Net Income Turns Positive In The Nine Months Ended September 30, 2014

TORONTO, ONTARIO--(Marketwired - Nov 10, 2014) - **Crocodile Gold Corp.** ("Crocodile Gold" or the "Company") (TSX:CRK)(TSX:CRK.DB) (TSX:CRK.WT) (OTCQX:CROCF) (FRANKFURT:XGC) reported financial results for the three and nine months ended September 30, 2014. Full Financial Statements and Management Discussion & Analysis documents can be found at www.sedar.com and the Company's website, www.crocgold.com. Key highlights of the third quarter results include:

(All figures are in United States ("U.S.") dollars, unless stated otherwise)

Third Quarter 2014 ("Q3/14") Highlights

- **55,909 ounces of gold production** helped lift full year 2014 production guidance
- **Improving gold production** combined with **cost containment** led to **lower operating cash costs** per ounce sold of **$898** from $925 in Q3/13
- **Improving all-in sustaining cash costs** per ounce sold from $1,252 in Q3/13 to **$1,233** with average realized gold price of **$1,298** in **Q3/14**
- **Strong operating cash flow of $18.2 million** consistent with $18.3 million in Q3/13
- **Net income** of **$8.6 million** versus net income of $3.3 million in Q3/13
- **Cash and gold bullion** balance at September 30, 2014 was **$30.8 million** and working capital was **$16.2 million**
- **On track** to meet **updated 2014 production guidance of 220,000 - 225,000 ounces**, which represents approximately a **10% increase** over initial 2014 guidance of 200,000 - 210,000 ounces

Nine-Month 2014 ("9M/14") Highlights

- **Strong production** of **163,516 ounces**, up **7.4%** from first nine months in 2013 ("9M/13")
- **10.2% improvement** in operating cash costs per ounce sold to **$944** from $1,051 in 9M/13
- **On target** to achieve annual **operating cash costs guidance of $900 - $950 per ounce**
- **10.4% improvement** in all-in sustaining cash costs per ounce sold from $1,434 in 9M/13 to **$1,285** with average realized gold price of **$1,292** in 9M/14
- **Strong operating cash flow of $48.9 million** a **4.1% improvement** from $46.9 million in 9M/13
- **Net income** of **$9.2 million** versus a net loss of $69.5 million in 9M/13

Management Commentary

"In the third quarter, we delivered strong production growth and performed well on many measures relative to current challenging economic conditions. We achieved five consecutive quarters of gold production above 53,000 ounces, with 55,909 ounces of gold in the third quarter, and a total of 163,516 ounces of gold produced in the first nine months of 2014. We are very pleased and expect to achieve our updated production guidance of 220,000 - 225,000 ounces by year end, which also represents an approximate 10%

improvement over our initial 2014 production guidance," said Rodney Lamond, President and Chief Executive Officer, Crocodile Gold Corp.

"Although lower gold prices continue to affect our financial results, we generated strong revenue of $73.3 million on the sale of 56,486 ounces of gold and we maintained our track record of solid operating performance. Our focus on productivity and strategic cost cutting initiatives reduced operating cash costs by 6.9% and average operating cash costs per ounce were down 2.9% to $898 relative to the year-ago quarter. This resulted in net income of $8.6 million, or $0.02 per share, and continued strong operating cash flow generation of $18.2 million in the third quarter of 2014. Importantly, with our improving costs in the third quarter, we are on target to meet our average operating cash costs guidance of $900 - $950 per ounce for 2014. Our top priority is to deliver profitability despite market conditions. We are extremely pleased that although we did enjoy a slightly higher average realized gold price of $1,298 per ounce, up from $1,291 in the second quarter 2014, our actual all-in sustaining cash costs also improved to $1,233 per ounce which resulted in continued profitability and allowed us to deliver on our top priority."

"We also continued to see positive results as we implemented key components of our mine operating plans earlier this year which have produced improved average grade and record recoveries, on a consolidated basis, for a third consecutive quarter."

Mr. Lamond continued, "During the quarter we made progress on our strategy to review our asset base and look for strategic investment opportunities. We divested of certain non-core assets and made an investment in JDS Silver, a company that owns the Silvertip project. This is a highly attractive near-production, high grade silver and polymetallic project with a strong resource in a stable mining jurisdiction in North America. The Silvertip project includes a developed access decline, full camp facilities, and an access road. JDS Silver also owns a full processing plant with a power generating plant in excellent condition. JDS Silver underscores our core mining principals as we are highly familiar with the project's site location and geological setting which gives us the confidence in our ability to deliver future results."

"While we will continue to pursue strategic initiatives to grow and unlock value for our company, our primary focus for the balance of this year will be to further develop the plan for the Big Hill Enhanced Development Project at Stawell. We have started to address the recommendations made by the Planning Minister's advisory panel in late October and are optimistic we will be able to move forward with the permitting process for this high-value project."

"Looking ahead, we look forward to solid full-year production and financial performance even in the current challenging market. In early November our industry once again experienced a decline in gold prices. While we are taking decisive steps to achieve further cost reductions to ensure continued profitability, we expect our all-in cash costs per ounce to continue to benefit against the backdrop of a weakening Australian dollar. Our management team remains disciplined with our investments while maintaining an appropriate level of capital spending to ensure profitable sustainability."

2014 Q3 Financial Results

Financial Results	Q3 2014	Q3 2013	YTD 2014	YTD 2013
Revenue ($)	73,336,486	78,201,622	212,955,851	227,547,959
Cost of operations, including depletion and depreciation ($)	(60,753,680)	(69,616,330)	(184,947,003)	(225,607,737)
Mine operating income($)	12,582,806	8,585,292	28,008,848	1,940,222
Net income (loss) ($)	8,583,897	3,319,678	9,192,491	(69,461,540)
Net income (loss) per share ($/share)	0.02	0.01	0.02	(0.17)
Cash generated from operating activities ($)	18,232,015	18,341,774	48,875,922	46,930,176
Investment in mine development, property, plant and equipment ($)	17,644,265	17,777,671	51,455,322	57,711,990
Gold ounces produced	55,909	55,206	163,516	152,318
Gold ounces sold	56,486	58,890	164,833	155,221
Average realized gold price ($)	1,298	1,325	1,292	1,456
Average quoted gold price ($)	1,282	1,328	1,288	1,457
Operating cash costs per ounce sold ($)*	898	925	944	1,051
All-in sustaining cash costs per ounce ($)*	1,233	1,252	1,285	1,434

** Refer to non-IFRS measures below*

Three months ended September 30, 2014

Revenue decreased $4.9 million or 6.2% from $78.2 million in the third quarter 2013 to $73.3 million in the third quarter of 2014 due to a 2% decline in the average realized gold price sold from $1,325 per ounce in the third quarter 2013 to $1,298 per ounce in the third quarter of 2014.

Cost of operations decreased $8.9 million or 12.7% from $69.6 million in the third quarter 2013 to $60.8 million in third quarter of 2014. The cost of operations were significantly lower largely due to decreased depletion and depreciation expense from the impact of an impairment charge in 2013 on book values.

Cash operating costs decreased $3.7 million or 6.9% from $54.5 million in the third quarter of 2013 to $50.7 million in the third quarter of 2014. The lower costs are attributable to a focus on productivity, lower costs at Cosmo due to significantly lower contractor unit costs, and general cost reduction initiatives, all the while tonnes mined and milled have increased from the previous year. Operating cash costs per ounce sold improved slightly from $925 in the third quarter of 2013 to $898 in the third quarter of 2014 as the aforementioned cost savings were partially offset by lower ounces sold.

Mine operating income improved to $12.6 million in the third quarter of 2014, or 4.7% higher versus $8.6 million in the third quarter of 2013 as result of decreased depletion and depreciation and reduced operating cash costs. Net income was $8.6 million in the third quarter of 2014 or $0.02 per share compared to $3.3 million or $0.01 per share in the prior year.

Cash flow from operations was $18.2 million in the third quarter of 2014, consistent with the $18.3 million generated in the third quarter of 2013, as lower revenues and a negative working capital adjustment were offset by lower operating costs.

A total of $15.3 million was invested, in the third quarter of 2014, into sustainable mine development and resource definition at Fosterville and Cosmo. This included key investments at Fosterville for ventilation and a tailings facility which will support mine production into the future. Additional investments included roughly $800,000 to further progress the permitting of the Big Hill Project, and $1.6 million was spent on property, plant and equipment, with each site continuing to optimize its current equipment fleet and fixed assets.

Total capital expenditures of $17.6 million in the third quarter of 2014 declined 0.8% versus $17.8 million in the third quarter of 2013.

All-in sustaining cash costs were $1,233 per ounce in the third quarter of 2014, a 6.3% sequential improvement from $1,316 in the second quarter of 2014, and a 1.5% improvement from $1,252 per ounce in the third quarter of 2013. The Company continues to focus on cost reduction initiatives across all of its operations and departments.

Nine months ended September 30, 2014

For the nine months ended September 30, 2014, revenue decreased $14.6 million or 6.4% from $227.5 million in 2013 to $213.0 million in 2014 due to an 11.3% decrease in the average realized gold price sold from $1,456 in 2013 to $1,292 in 2014. Total gold sales increased 6.2% to 164,833 ounces in 2014 from a total of 155,221 ounces sold in 2013.

For the nine months ended September 30, 2014, mine operating income was $28.0 million in 2014 versus $1.9 million in 2013.

Net income was $9.2 million or $0.02 per share, which included a loss of $3.6 million on the revaluation of the contingent payments liability as a result of the change in the expected timing cash flows resulting from the dispute resolution process with AuRico Gold Inc. ("AuRico") which ended in Q1 2014. It also included higher care and maintenance costs associated with the reclamation and processing of a low-grade stockpile in the Northern Territory.

For the nine months ended September 30, 2014, cash flow from operations was $48.9 million, a 4.1%

increase versus $46.9 million in the third quarter 2013.

For the nine months ended September 30, 2014, total capital expenditures of $51.5 million declined 10.8% versus $57.7 million in 2013.

For the nine months ended September 30, 2014, all-in sustaining cash costs were $1,285 per ounce and include the key investments at Fosterville as noted above, while all-in sustaining cash costs were $1,434 in the comparative period and reflect the then continuing ramp-up at Cosmo and the impact of the transition at Stawell to smaller scale underground mining.

Financial Position

Crocodile Gold continues to be in a strong position to react to the changing gold price environment through consistent production and value-driven investments. The Company ended the period with a cash and gold bullion balance of $30.8 million and working capital of $16.2 million with a reduced debt profile as a full settlement of the credit facility was completed in Q1 2014.

Operational Discussion

Three months ended September 30, 2014

Total production was 55,909 ounces of gold from its three operating mines, a 3.5% increase over the 54,024 ounces produced in the second quarter and a 1.3% increase over the third quarter of 2013. The year over year increase reflects strong and consistent production from the Fosterville Gold Mine and ongoing sustainable production from the Cosmo Gold Mine which declared commercial production March 1, 2013. Cosmo's production has more than offset reduced ounces from the Stawell Gold Mine which had begun to wind down its underground operations in the first quarter of 2013.

Third Quarter 2014 Operational Summary and Highlights

	Q3 2014	Q3 2013	YTD 2014	YTD 2013
Cosmo				
Ore Milled (Tonnes)	198,168	188,758	642,798	516,594
Average Grade (g/t Au)	3.03	3.83	3.17	3.51
Recovery (%)	92.8	91.8	88.2	89.4
Gold Produced (Ounces)	17,942	21,316	57,628	52,089
Gold Sold (Ounces)	18,899	22,527	60,292	52,320
Fosterville				
Ore Milled (Tonnes)	200,708	204,231	624,014	592,026
Average Grade (g/t Au)	5.02	4.44	4.42	4.50
Recovery (%)	86.8	86.6	85.5	84.6
Gold Produced (Ounces)	28,313	25,359	76,297	72,385
Gold Sold (Ounces)	27,517	26,345	74,835	73,851
Stawell				
Ore Milled (Tonnes)	232,840	222,322	694,830	673,798
Average Grade (g/t Au)	1.62	1.62	1.67	1.61
Recovery (%)	79.5	73.5	79.3	78.7
Gold Produced (Ounces)	9,654	8,531	29,591	27,844
Gold Sold (Ounces)	10,070	10,019	29,706	29,050
Consolidated Gold Produced (Ounces)	55,909	55,206	163,516	152,318
Consolidated Gold Sold (Ounces)	56,486	58,890	164,833	155,221

Cosmo Gold Mine

Cosmo posted consistent mine production in the third quarter of 2014 compared to 2013 however, at a lower average grade of 3.03 g/t Au attributable to dilution from challenging ground conditions. Grade is expected to recover in the fourth quarter, as the mine progresses into the next mining block, and we have already seen evidence of improving grade to date in the fourth quarter of 2014. Mill recovery during the quarter was strong at 92.8%, which included a record recovery of 94.1% in July, reflecting the improvement in controls at the mill to react to changes in ore feed. Gold production in the third quarter 2014 was 17,942 ounces a 16% decrease from the third quarter of 2013 due to the lower average feed grade.

Fosterville Gold Mine

Fosterville continued to achieve strong and consistent performance in the third quarter of 2014 with a proportionately larger contribution from the Central and Phoenix lodes, including the higher-grade Lower Phoenix area. During the quarter, the mine produced 192,633 tonnes at an average grade of 5.21 g/t Au, a 13% improvement in grade compared to third quarter of 2013, and a 27.4% improvement from the second quarter when the mine experienced dilution challenges and model variations in higher levels. Mill recovery was 86.8% and represents the second highest recovery rate ever for Fosterville. The site remains on track to exceed its highest annual recovery rate of 85.2% in 2013. The continued strong recoveries reflect the improvements implemented last year, including improved blending practices as a strategy to deal with carbonaceous ore and ongoing optimization of the leaching circuit. Gold production of 28,313 ounces in the third quarter of 2014 also represented the highest quarterly gold production for Fosterville in three years and the fourth highest ever.

Stawell Gold Mine

Stawell continues to invest limited exploration expenditures in order to maintain the viability of the operations while also looking for additional zones of mineralization in the upper levels of the mine to sustain underground operations into future quarters. Stawell contributed 9,654 ounces of gold production in the third quarter of 2014.

About Crocodile Gold

Crocodile Gold is a Canadian gold mining and exploration company with three operating mines in Australia, in the State of Victoria and the Northern Territory. The Company has a combined land package in excess of 4,000 sq. km. The objective of Crocodile Gold is to continue production from its three operating mines, Cosmo, Fosterville, and Stawell, while also exploring and developing the Company's resources to ensure sustainable production in the future.

For additional information, please visit our website www.crocgold.com or follow us on Twitter @crocgold_crk or on Facebook at CrocodileGoldCorp.

Qualified Person

Mark Edwards, MAusIMM (CP), MAIG, General Manager Exploration and Business Development for Crocodile Gold, is a "qualified person" as such term is defined in National Instrument 43-101 and has reviewed and approved the technical information and data included in this press release.

Cautionary Notes

Non-IFRS Measures

The Company believes that, in addition to conventional measures prepared in accordance with International Financial Reporting Standards ("IFRS"), certain investors use non-IFRS information to evaluate the Company's performance and ability to generate cash flow. Accordingly, the following measurements are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Operating Cash Costs per Ounce of Gold

The Company calculates operating cash costs per ounce by deducting silver sales revenue as a by-product from operating expenses per the consolidated statement of operations, then dividing by the gold ounces sold during the applicable period. Operating expenses include mine site operating costs such as mining, processing and administration as well as royalties, however excludes depletion and depreciation, share-based payments and rehabilitation costs.

All-In Sustaining Costs per Ounce of Gold

Effective December 31, 2013, the Company has adopted an all-in sustaining cost ("AISC") performance measure that reflects all of the expenditures that are required to produce an ounce of gold from current operations. While there is no standardized meaning of the measure across the industry, the Company's definition conforms to the AISC definition as set out by the World Gold Council in its guidance dated June 27, 2013. The World Gold Council is a non-regulatory, non-profit organization established in 1987 whose members include global senior mining companies. The Company believes that this measure will be useful to external users in assessing operating performance and the ability to generate free cash flow from current operations.

The Company defines AISC as the sum of operating cash costs (per above), sustaining capital (capital required to maintain current operations at existing levels), capital lease repayments, corporate general and administrative expenses, in-mine exploration expenses and rehabilitation accretion and amortization related to current operations. AISC excludes capital expenditure related to projects to mine expansion, exploration and evaluation related to growth projects, rehabilitation accretion and amortization not related to current operations, financing costs, debt repayments, share-based compensation not related to operations, and taxes.

The operating cash costs per ounce and all-in sustaining costs per ounce are reconciled to the consolidated statement of operations as follows:

	Q3 2014	Q3 2013	YTD 2014	YTD 2013
Operating expense per the consolidated statement of operations, including royalties	50,847,949	54,591,507	155,894,074	163,405,216
By-product silver sales credit	(101,768)	(104,532)	(273,126)	(313,800)
Operating cash costs ($)	50,746,180	54,486,975	155,620,948	163,091,416
Sustaining mine development (1)	15,299,488	14,875,305	42,915,840	43,699,679
Sustaining capital expenditures, including capital lease payments	2,249,605	2,182,238	8,530,885	7,740,693
General and administration costs	1,028,212	1,367,086	3,190,512	5,014,972
Rehabilitation - accretion and amortization (operating sites)	281,130	620,833	942,567	1,874,331
In-mine exploration expense	62,625	182,315	555,936	1,118,186
All-in sustaining cash costs ($)	69,667,240	73,714,752	211,756,687	222,539,277
Gold ounces sold	56,486	58,890	164,833	155,221
Operating cash costs per ounce sold ($ / ounce)	898	925	944	1,051
All-in sustaining cash costs per ounce sold ($ / ounce)	1,233	1,252	1,285	1,434

(1) Sustaining mine development are defined as those expenditures which do not increase annual gold production at a mine operation and exclude expenditures for growth projects and mine development to commercial production. Total sustaining capital for the three and nine months ending September 30, 2014 and 2013 is calculated as follows:

	Q3 2014	Q3 2013	YTD 2014	YTD 2013
Expenditure on mine development per the statement of cash flows	16,091,997	16,441,742	45,850,702	54,022,507
Less: Cosmo development before commercial production	-	-	-	(6,353,689)
Less: Big Hill Project development costs	(792,509)	(1,566,437)	(2,934,862)	(3,969,138)
	15,299,488	14,875,305	42,915,840	43,699,680

Forward-Looking Information

Certain information set forth in this press release contains "forward-looking statements", and "forward-looking information" under applicable securities laws. Except for statements of historical fact, certain information contained herein constitutes forward-looking statements, which include the Company's expectations for future performance based on current drill results and past production, expected gold prices, and mineral resource estimates, and are based on Crocodile Gold's current internal expectations, estimates, projections, assumptions and beliefs, which may prove to be incorrect. Some of the forward-looking statements may be identified by words such as "expects", "anticipates", "believes", "projects", "plans", and similar expressions. These statements are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause Crocodile Gold's actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to: liabilities inherent in mine development and production; geological, mining and processing technical problems; Crocodile Gold's inability to obtain required mine licences, mine permits and regulatory approvals required in connection with mining and mineral processing operations; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; incorrect assessments of the value of acquisitions; changes in commodity prices and exchange rates; currency and interest rate fluctuations; various events that could disrupt operations and/or the transportation of mineral products, including labour stoppages and severe weather conditions; the demand for and availability of rail, port and other transportation services; the ability to secure adequate financing and management's ability to anticipate and manage the foregoing factors and risks. 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. Crocodile Gold undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader is cautioned not to place undue reliance on forward-looking statements.

Contact

Crocodile Gold Corp.
Laura Lepore
Director, Investor Relations
416-847-1847
info@crocgold.com
www.crocgold.com