Roxgold Reports Strong Production and Cash Flow in Second Quarter 2018

15.08.2018 | CNW

TORONTO, Aug. 14, 2018 - Roxgold Inc. ("Roxgold" or the "Company") (TSX: ROXG) (OTC: ROGFF) today reported i quarter financial results for the period ended June 30, 2018.

For complete details of the unaudited Condensed Consolidated Financial Statements and associated Management's D and Analysis please refer to the Company's filings on SEDAR (www.sedar.com) or the Company's website (www.roxgo amounts are in U.S. dollars unless otherwise indicated.

1. HIGHLIGHTS

For the three and six-month periods ended June 30, 2018, the Company:

- Completed over 5,100,000 hours free of lost time injuries ("LTI") since the mine commenced operations;
- Achieved production of 35,828 ounces of gold in Q2 2018, compared to 27,970 ounces in Q2 2017;
- Achieved production of 76,280 ounces of gold in the first half of 2018 compared to 63,564 ounces in the first half
- Realized a record quarterly processing throughput of 75,417 tonnes - 12% above nameplate capacity;
- Increased gold sales[1] by 27% with 35,320 ounces of gold sold[1] totalling $45.8 million compared to 28,788 ounces for $36.2 million in gold sales[1] during the second quarter of 2017;
- Incurred cash operating cost[2] of $424 per ounce produced and all-in sustaining costs[2] of $718 per ounce sold an ounce produced and $686 per ounce sold for the three and six-month periods ended June 30, 2018, respectively;
- Generated cash flow from mining operations[2] totalling $25.7 million ($56.5 million for the six-month period) and ca mining operations per share[2] of $0.07 (C$0.09/share) ($0.15 and C$0.19/share for the six-month period);
- Generated a mine operating margin[2] of $813 per ounce compared to $705 in the same period in 2017, an increas while the average realized gold price increased by 3% during the same period;
- Initiated a normal course issuer bid (NCIB) and purchased 663,300 Common Shares for cancellation;
- Advanced the Bagassi South expansion project according to plan. Updates from the work plan include:
-
    - Approval of Bagassi South Mining decree by the Burkina Faso Council of Ministers on the same terms as th Yaramoko Gold Project exploitation permit;
    - Boxcut excavation completed in early July;
    - Construction of the haulage road, security building, fencing, settlement pond and TSF embarkment raise ha completed;
    - Process plant expansion project is well underway and;
    - Underground mobile equipment delivered to site.

"Operations at Yaramoko continued to deliver strong production and cash flow results in the second quarter. As a resu maintained our strong balance sheet and are well positioned to achieve the upper end of our 2018 production guidance within our cost guidance range," said John Dorward, President and Chief Executive Officer. "During the second quarter achieved the significant milestone of over 5 million hours Lost Time Injury Free which is a credit to the site-based mana team demonstrating the strong safety culture established at the mine. We remain focused on continuing to deliver valu shareholders with the advancement of the Bagassi South project and process plant expansion, which remain on track f of first ore expected in the fourth quarter, as well as actively pursuing accretive growth opportunities through our explor program."

2. 2018 PRODUCTION GUIDANCE AND COSTS

Based on the strong operational results to date, the Company is confident it will achieve the production guidance and c for the twelve-month period ending December 31, 2018. The Company's objectives for fiscal year 2018 include the follo

- Gold production between 120,000 and 130,000 ounces;
- Cash operating cost[2] between $450 and $475/ounce;
- All-in sustaining cost[2] between $740 and $790/ounce;

- Underground capital expenditure between $22 million and $26 million;
- Bagassi South pre-production capital expenditure of $30 million;
- Exploration budget of $9 million.

3. MINE OPERATING ACTIVITIES

	Three months ended June 30 2018	Three months ended June 30 2017	Six months ended June 30 2018	Six months ended June 30 2017
Operating Data				
Ore mined (tonnes)	86,831	66,044	175,438	135,281
Ore processed (tonnes)	75,417	65,159	146,993	129,114
Head grade (g/t)	14.4	12.8	15.6	15.4
Recovery (%)	98.8	99.0	98.8	99.2
Gold ounces produced	35,828	27,970	76,280	63,564
Gold ounces sold[1]	35,320	28,788	75,370	63,767
Financial Data (in thousands of dollars)				
Gold Sales[1]	45,787	36,166	99,013	79,143
Mining operating expenses	(14,989)	(13,677)	(30,377)	(27,831)
Government royalties	(2,058)	(1,387)	(4,720)	(3,106)
Depreciation	(8,357)	(7,320)	(18,207)	(14,885)
Statistics (in dollars)				
Average realized selling price (per ounce)	1,296	1,254	1,313	1,240
Cash operating cost (per ounce produced)[2]	424	498	401	445
Cash operating cost (per tonne processed) [2]	201	214	208	219
Total cash cost (per ounce sold)[2]	483	549	466	497
Sustaining capital cost (per ounce sold)[2]	190	280	176	251
Site all-in sustaining cost (per ounce sold [2]	672	829	642	748
All-in sustaining cost (per ounce sold) [2]	718	873	686	789

A. Health and safety performance

Roxgold continues to demonstrate that Health and Safety is one of the Company's core values as evidenced by more t
LTI free hours worked.

B. Operational performance

The Company's gold production in the second quarter of 2018 was driven by improved operating performance in both t processing plant. During the quarter ended June 30, 2018, 86,831 tonnes of ore at 12.96 g/t were extracted from the u mine along with completing 1,124 metres of development compared to 66,044 tonnes at 11.7 g/t of ore and 2,085 metr development in the comparable period of the prior year. The mining tonnage increase of 31% when compared to same the prior year is due to increased productivity from stoping activities. During the second quarter, approximately 80% of produced came from stoping which is a result of the extensive development that is in place at Yaramoko, with four ope available at the end of the quarter compared to two open stopes at the end of June 30, 2017.

During the six-month period ended June 30, 2018, 175,438 tonnes of ore at 14.04 g/t were extracted from the undergr compared to 135,281 tonnes of ore at 13.25 g/t in the six-month period ended June 30, 2017. The mining tonnage incr when compared to same period of the prior year is due to increased productivity from stoping activities.

In the second quarter of 2018, decline development at the mine reached the 4981 level, approximately 350 metres bel Ore development commenced on the 4998 level and was completed on the 5015 level. The mine continues to be well meet future production requirements with developed reserves for stoping exceeding the Company's 18 months planne objectives.

Reconciliation of mined material against the Company's resource model improved in the second quarter of 2018 follow reconciliation observed in the first quarter of 2018. Reconciliation performed well both on a tonnage and grade basis w production reconciling within 1% of the resource model.

The plant processed a record 75,417 tonnes at an average head grade of 14.42 g/t Au in the second quarter of 2018 c 65,159 tonnes of ore at 12.78 g/t in the same quarter of 2017. This 16% increase is a result of ongoing optimisation at and translates into a unit throughput rate which is 12% above nameplate capacity. Plant availability was 95.7% during and overall recovery was 98.8% during the quarter compared to 97.2% and 99.0% respectively for the comparative pe prior year.

During the six-month period ended June 30, 2018, the plant processed 146,993 tonnes at an average head grade of 1 compared to 129,114 tonnes of ore at 15.4 g/t during the comparable six-month period in 2017. This increase is a resu increased plant utilization and unit throughput during the period. Plant availability was 96.8% during the first half and o recovery was 99% compared to 97.4% and 99% respectively for the comparative period in prior year.

Based on the foregoing, production increased by 28% as 35,828 ounces of gold were poured during the quarter ended 2018 compared to 27,970 ounces for the same period in 2017. Similarly, production for the six-month period increased 76,280 ounces were produced in the six-month period ended June 30, 2018 compared to 63,564 in the six-month perio June 30, 2017.

C. Financial Performance

i) Second quarter of 2018 vs second quarter of 2017

During the quarter ended June 30, 2018, a total of 35,320 ounces of gold were sold with revenue from gold sales totall $45,787,000 compared to 28,788 gold ounces sold[1] and gold sales[1] of $36,166,000. Revenues increased by 27% wh to the second quarter of 2017 as the volume sold increased by 23% while the average realized gold price of $1,296 in $42 per ounce or 3% compared to the same period in 2017. The average market gold price in the second quarter of 2 $1,306 per ounce, an increase of $49 per ounce from the second quarter 2017 average of $1,257.

Mine operating expenses represent mining, processing, and mine site-related general and administrative expenses. D quarter ended June 30, 2018, the cash operating cost[2] per tonne processed totalled $201 per tonne, which is well belo per tonne processed achieved during the comparable period in 2017. The variation is mainly due to increased efficienc throughput during the period. The cash operating cost[2] per ounce produced totalled $424 per ounce for the period com $498 per ounce in the prior period. This 15% decrease compared to the same period in 2017 is due to the lower cash cost[2] per tonne processed and the higher gold production. The total cash cost[2] per ounce sold of $483 is due to a com higher head grade of tonnes mined and better efficiency in stope extraction. Consequently, the Company generated a operating margin[2] of $813 up 15% from $705 per ounce for the same period in 2017.

During the quarter ended June 30, 2018, Roxgold invested $6,697,000 in underground mine development, representing a sustaining capital cost[2] per ounce sold of $190 while the Company invested $8,073,000 at a sustaining capital cost[2] per ounce sold of $280 in the comparable period in 2017.

Based on the foregoing, in the second quarter of 2018, the Company generated cash flow from mining operations[2] totalling $25,669,000 (Q2 2017 - $18,638,000), a site all-in sustaining cost[2] of $672 per ounce sold (Q2 2017 - $829 per ounce sold) and all-in sustaining costs[2] including corporate costs of $718 per ounce sold (Q2 2017 - $873 per ounce).

During Q2 2018, the Company repurchased 663,300 shares at approximately C$1.09/share for a total cost of $0.7 million CAD ($0.6 million US).

ii) First six months of 2018 vs first six months of 2017

Gold sales[1] for the six-month period totalled $99,013,000 from 75,370 ounces of gold ounces sold[1] compared to $79,143,000 in gold sales[1] from 63,767 gold ounces sold[1]. During this period, the Company's average realized gold price for the period was $1,313 per ounce sold while it totalled $1,240 in the second half of 2017. The average market gold price in the six-month period was $1,318 per ounce, an increase of $82 per ounce from the second quarter 2017 average of $1,236.

During the six-month period ended June 30, 2018, the cash operating cost[2] per tonne processed totalled $208 per tonne, which is 6% below the $219 per tonne processed achieved during the comparable period in 2017. The variation is mainly due to increased efficiency and throughput during the period. The cash operating cost[2] per ounce produced totalled $401 per ounce for the period compared to $445 per ounce in the prior period. The total cash cost[2] per ounce sold of $466 compared to $497 in the comparable 2017 period reflects the higher royalty rate paid during the second quarter of 2018 of 5% compared to a rate of 4% during the second quarter of 2017 as the average gold price during the period was above $1,300 per ounce. Consequently, the Company generated a mine operating margin[2] of $847 up 14% from $743 per ounce for the same period in 2017.

The Company invested $13,270,000 in underground mine development for the six-month period compared to 15,979,000 for the comparable period in 2017. The investments made during the six-month period are in line with the 2018 mine plan. The Company generated $56,541,000 cash flow from mining operations[2] during the six-month period compared to $42,385,000 during the comparable period in 2017.

4. BAGASSI SOUTH EXPANSION UPDATE

During the second quarter of 2018, the Company received approval of the Bagassi South Mining decree by the Burkina Faso Council of Ministers on the same terms as the existing Yaramoko Gold Project exploitation permit. The construction of the Bagassi South surface infrastructure continued to progress well including the successful box cut excavation. The engineering design and procurement activities for the plant expansion are well advanced and in line with the mine start date. The haulage road is now complete and civil construction in the plant is ahead of schedule allowing for early mobilization of the SMP personnel.

5. REVIEW OF FINANCIAL RESULTS

A. Mine operating profit

During the second quarter of 2018, revenues totalled $45,787,000 (Q2 2017 – $34,703,000) while mine operating expenses and royalties totalled $14,989,000 (Q2 2017 - $13,667,000) and $2,058,000 (Q2 2017 – $1,387,000), respectively. The increase in sales is primarily due to increased production driven by higher throughput and a higher average realized gold price which increased from $1,254 per ounce during the second quarter of 2017 to $1,296 per ounce during the second quarter of 2018. The increase in royalties is a result of increased ounces sold and a higher blended royalty rate applied as the price of gold was sold below and above the $1,300 benchmark throughout the period. During the second quarter of 2018, the Company achieved a total cash cost[2] per ounce sold of $483 representing a mine operating margin[2] of

$813 compared to $549 and $705, respectively for the same period in 2017.

During the six-month period ended June 30, 2018, revenues totalled $99,013,000 compared to $77,680,000 for the comparable period in 2017. Mine operating expenses were $30,377,000 compared to $27,831,000 while royalties paid were $4,720,000 compared to $3,106,000. The increase in sales is primarily due to increased production driven by higher throughput and a higher average realized gold price which increased from $1,240 per ounce during the six-month period of 2017 to $1,313 per ounce during the period in 2018. During the period, the Company achieved a total cash cost[2] per ounce sold of $466 representing a mine operating margin[2] of $847 compared to $497 and $743, respectively for the same period in 2017. For more information on the cash operating costs see the financial performance of the Mine Operating Activities section in the Company's Q2 2018 MD&A.

Depreciation totalled $8,144,000 and $17,776,000 for the three and six-month period ended June 30, 2018, respectively compared to $7,072,000 and $14,367,000 in the corresponding period in prior year. The increase in depreciation is a result of a higher asset base and further investments in the underground development combined with a higher throughput in our processing facility.

As a result of the Company's continued excellent operating performance and higher realized gold price, mine operating profit has increased by 64% and 43%, in the three and six-months ended periods of June 30, 2018.

B. General and administrative expenses

General and administrative expenses totalled $1,243,000 and $2,593,000 for the three and six-month ended June 30, 2018, respectively compared to $934,000 and $2,134,000 for the corresponding period in prior year. The increase is mainly driven by the addition of corporate personnel as the Company enters a growth phase.

C. Sustainability and other in-country costs

Sustainability and in-country costs remained consistent year over year totalling $375,000 and $763,000 for the three and six-months ended June 30, 2018, respectively, compared to $330,000 and $773,000 in the corresponding period in prior year. These expenditures are incurred as part of Roxgold's commitment to responsible operations in Burkina Faso including several sustainability and community projects.

D. Exploration and evaluation expenses ("E&E"):

Exploration and evaluation expenses totalling $3,696,000 and $7,361,000 for the three and six-months ended June 30, 2018, respectively compared to $3,514,000 and $6,861,000 for the corresponding periods in prior year. Current year expenditures reflect the regional exploration program ongoing at the Boni shear and Haho areas while 2017 included expenditures associated with the Bagassi South infill and extensional drilling program completed as part of the Feasibility Study on Bagassi South released on November 6, 2017.

E. Share-based payment

Share-based payments totalling $1,015,000 and $1,254,000 for the three and six-months ended June 30, 2018, respectively compared to $514,000 and $1,065,000 for the corresponding periods in the prior year. The increase is attributed to the deferred share units ("DSU") mainly attributed to the timing of annual DSU grants which were issued in Q2 2018 when in the prior year it was granted in Q3 2017.

During the three-month period ended June 30, 2018, the Company granted 801,723 DSUs valued at $728,000 as part of the annual grant of directors of the Company compared to the prior year where annual DSUs were granted in the third quarter of 2017.

F. Financial expenses

Net financial expenses totalled $61,000 and $1,848,000 for the three and six-months ended June 30, 2018, respectively compared to $551,000 and $8,779,000 in the comparable period of the prior year. The variation year over year is mainly attributable to the change in the fair value of the Company's gold forward sales contracts, reduction of interest expense related to the long-term debt and the variation in the Company's foreign exchange gain (loss).

G. Deferred income tax expense

The deferred income tax expense is due to the recognition of a deferred income tax liability as the Company was making a profit from its operations in Burkina Faso.

H. Net income & EBITDA

The Company's net income for the three and six-month periods ended June 30, 2018 totalled $10,838,000 ($0.03 per share) and $24,761,000 ($0.06 per share) respectively, compared to $5,717,000 ($0.02 per share) and $9,549,000 ($0.03 per share) in the comparable period in prior year.

During the second quarter of 2018 the Company generated earnings before interest, taxes, depreciation and amortization ("EBITDA") [2] of $23,160,000 representing an improvement of 55% over the EDITDA[2] achieved during Q2 2017 of $14,986,000. The six-months ended June 30, 2018 period had EBITDA[2] of $51,981,000 an increase of 72% over the comparable period in 2017 of $30,287,000.

I. Income Attributable to Non-Controlling Interest

For the three and six-month periods ended June 30, 2018, the income attributable to the non-controlling interest ("NCI") was $1,106,000 and $2,846,000 respectively, (2017: $950,000 and $2,364,000). The Government of Burkina Faso holds a 10% carried interest in Roxgold SANU SA and as such is considered Roxgold's NCI. Income attributable to the NCI excludes all items within Other expenses and Financial expenses on the Company's consolidated statement of income, with the exception of sustainability and other in-country costs, interest expense, and financing fees.

6. CONFERENCE CALL AND WEBCAST INFORMATION

A webcast and conference call to discuss these results will be held on Wednesday, August 15, 2018, at 11:00AM Eastern time. Listeners may access a live webcast of the conference call from the events section of the Company's website at www.roxgold.com or by dialing toll free 1-888-231-8191 within North America or +1-647-427-7450 from international locations.

An online archive of the webcast will be available by accessing the Company's website at www.roxgold.com. A telephone replay will be available for two weeks after the call by dialing toll free 1-855-859-2056 and entering passcode 9992149.

Notes:

[1] Gold ounces sold and Gold Sales include deferred revenues of $1,463,000 related to 1,175 ounces sold, but not shipped, as of June 30, 2017 due to the timing of the shipment in Burkina Faso.

[2] The Company provides some non-IFRS measures as supplementary information that management believes may be useful to investors to explain the Company's financial results. Please refer to note 16 "Non-IFRS financial performance measures" of the Company's MD&A dated August 14, 2018, available on the Company's website at www.roxgold.com or on SEDAR at www.sedar.com for reconciliation of these measures.

Qualified Persons

Iain Cox, FAUSIMM, Interim Chief Operating Officer for Roxgold Inc., a Qualified Person within the meaning of National Instrument 43-101, has verified and approved the technical disclosure contained in this MD&A.

Craig Richards, PEng, Principle Mining Engineer for Roxgold Inc., a Qualified Person within the meaning of National Instrument 43-101, has verified and approved the technical disclosure contained in this MD&A. This includes the QA/QC, sampling, analytical and test data underlying this information. For more information on the Company's QA/QC and sampling procedures, please refer to the Company's AIF dated March 28, 2018.

For further information regarding the Yaramoko Gold Mine, please refer to the technical report dated December 20, 2017, and entitled "Technical Report for the Yaramoko Gold Mine, Burkina Faso" (the "Technical Report"), available on the Company's website at www.roxgold.com and on SEDAR at www.sedar.com.

About Roxgold
Roxgold is a gold mining company with its key asset, the high grade Yaramoko Gold Mine, located on the Houndé greenstone belt in Burkina Faso, West Africa. Roxgold trades on the TSX under the symbol ROXG and as ROGFF on OTC.

This press release contains "forward-looking information" within the meaning of applicable Canadian securities laws ("forward-looking statements"). Such forward-looking statements include, without limitation: statements with respect to Mineral Reserves and Mineral Resource estimates (including proposals for the potential growth and/or upgrade thereof), anticipated receipt and maintenance of permits and licenses, future production and life of mine estimates, production and cost guidance, anticipated recovery grades, the anticipated increased proportion of mill feed coming from stoping ore, future capital and operating costs and expansion and development plans including with respect to the 55 Zone and Bagassi South, and the expected timing thereof, proposed exploration plans and the timing and costs thereof, the anticipated operations, costs, proposed funding, timing and other factors set forth in the Feasibility Study, proposed 2018 CSR activities, and sufficiency of future funding. These statements are based on information currently available to the Company and the Company provides no assurance that actual results will meet management's expectations. In certain cases, forward-looking information may be identified by such terms as "anticipates", "believes", "could", "estimates", "expects", "may", "shall", "will", or "would". Forward-looking information contained in this news release is based on certain factors and assumptions regarding, among other things, the estimation of Mineral Resources and Mineral Reserves, the realization of resource estimates and reserve estimates, gold metal prices, the timing and amount of future exploration and development expenditures, the estimation of initial and sustaining capital requirements, the estimation of labour and operating costs, the availability of necessary financing and materials to continue to explore and develop the Yaramoko Gold Project in the short and long-term, the progress of exploration and development activities as currently proposed and anticipated, the receipt of necessary regulatory approvals and permits, and assumptions with respect to currency fluctuations, environmental risks, title disputes or claims, and other similar matters, as well as assumptions set forth in the Company's technical report dated December 20, 2017, and entitled "Technical Report for the Yaramoko Gold Mine, Burkina Faso" available on the Company's website at www.roxgold.com and SEDAR at www.sedar.com. While the Company considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include: changes in market conditions, unsuccessful exploration results, possibility of project cost overruns or unanticipated costs and expenses, changes in the costs and timing of the development of new deposits, inaccurate reserve and resource estimates, changes in the price of gold, unanticipated changes in key management personnel, failure to obtain permits as anticipated or at all, failure of exploration and/or development activities to progress as currently anticipated or at all, and general economic conditions. Mining exploration and development is an inherently risky business. Accordingly, actual events may differ materially from those projected in the forward-looking statements. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on the Company's forward-looking statements. The Company does not undertake to update any forward-looking statement that may be made from time to time by the Company or on its behalf, except in accordance with applicable securities laws.

View original content:http://www.prnewswire.com/news-releases/roxgold-reports-strong-production-and-cash-flow-in-second-quarter-

SOURCE Roxgold Inc.

Contact
Kelley Stamm, Manager, Investor Relations & Communications, 416-203-6401, kstamm@roxgold.com