Harte Gold Announces Q3 2019 Results

15.11.2019 | GlobeNewswire

TORONTO, Nov. 14, 2019 - Harte Gold Corp. (“Harte Gold” or the “Company”) (TSX: HRT / OTC: HRTFF / Frankfurt: H4O) today announced financial and operational results for the three and nine months ended September 30, 2019 (“Q3”).

Third Quarter Highlights

- Strong Safety and Environmental performance: no lost-time injuries reported for the quarter
- Mine production growth: mined tonnes and processing tonnes improved by 9% and 6% respectively
- Revenue growth: revenues increased 22% from the previous quarter to $14.5 million
- Production costs stable: mining and underground development, processing costs, site G&A and corporate costs were similar to the previous quarter
- Mine EBITDA was $(0.7) million, lower than the previous quarter after adjusting for inventory movements on timing of sales
- All in sustaining (“AISC”) costs of US$2,304/oz were higher due to lower than expected production over the quarter
- A net loss of $(15.2) million or $(0.024) per share was an improvement over second quarter losses of $(25.9) million of $(0.043) per share

Post Quarter Highlights

- Board renewal completed, improving operational, capital markets and governance oversight
- New CEO and COO have joined the Company, focusing on operational improvements
- The Company is managing its working capital position – drawdown of the Standby Commitment has commenced
- Backfill alternative introduced, reducing the dependence on paste fill distribution, allowing for better underground waste management and increasing mine scheduling flexibility
- The mining contractor is increasing its labour on site

Sam Coetzer, President and CEO commented “I am excited to join the Harte team and am confident that we can improve the operations beyond the current operating levels. I am encouraged by the skill level of the employee base at our operations and also by the progress made at the Sugar Zone mine over this past year. The mine is now in a position to improve on productivity metrics and grade supply.”

Operational Summary

	Three months ended September 30, 2019		Three months ended June 30, 2019		Q3 vs. Q2 Increase / (Decrease)	
Operating Data						
Ore mined (tonnes)	46,235		42,601		9	%
Ore processed (tonnes)	56,558		53,216		6	%
Average daily throughput (tpd)	628		591		6	%
Head grade (g/t)	3.64		4.89		(25	%)
Recovery (%)	92	%	93	%	(0	%)
Gold ounces produced	6,069		7,754		(22	%)
Gold sales	7,805		6,873		14	%
Mine Financial Data (000 $)						
Revenues	14,477		11,821		22	%

Mining cost	(5,440)	(5,122)	6%
Processing cost	(2,548)	(2,583)	(1%)
Site G&A	(3,521)	(3,354)	5%
Inventory changes	(3,630)	1,968	
Mine EBITDA[1]	(661)	2,730	
Mine Development Costs	(4,504)	(4,285)	5%
Other Development Capital	0	0	-
Corporate Costs	(1,476)	(886)	66%
Exploration Costs	(1,152)	(1,699)	(32%)
Net Cash Flow	(7,793)	(4,141)	88%
Net Income	*(15,181)*	*(25,900)*	*(41%)*
Unit Input Costs (in dollars)			
Mining cost (per tonne ROM)	118	120	(2%)
Processing cost (per tonne)	45	49	(7%)
Site G&A (per tonne)	62	63	(1%)
Development Cost (per tonne ROM)	97	101	(3%)
Cash Cost (US$ per oz)[2]	1,422	1,070	33%
AISC (US$ per oz)[2]	2,304	1,734	33%

1) *Mine EBITDA is a non-IFRS measure, refer to the Company’s “Non-IFRS Measures” and “Results of Operations” in the Company’s MD&A for a description and reconciliation to Net Income (Loss).*

2) *Refer to the Company’s MD&A under “Non-IFRS Measures” for description of these measures. Calculated based on a Canadian dollar exchange rate of 0.75.*

Operations Summary

Underground mine production increased quarter-over-quarter to 46,235 tonnes (502 tpd). Ore production was comprised of both higher-grade stope production and lower-grade development ore. In Q3, stope production and sequencing were affected by lower than expected development rates.

Mill throughput increased 6% quarter-over-quarter to 56,558 tonnes (615 tpd). Average head grade was lower as the contribution of stope production to mill feed was lower than target. Stope production has less planned dilution and therefore higher grades. As more development is completed, stope production will increase, and overall head grade is expected to improve.

Delays in start-up of the paste fill plant also affected overall stope sequencing, which caused the Company to mine outside of plan. The Company is currently using rockfill as a viable backfill alternative, which reduces the dependence on the paste fill plant and lowers costs as less waste rock is hauled to surface.

Mine performance has also been addressed with the mine contractor and necessary actions are being taken. The mine contractor is in the process of increasing labour at site.

Mine scheduling has become a primary focus, including the planned sequencing of development, ore production and backfill requirements.

Financial Summary

Revenues for the quarter increased 22% to $14.5 million due to a 14% increase in gold sales and higher realized sales prices.

Production costs, defined here as mining and underground development, processing costs, site G&A and corporate costs were relatively stable quarter over quarter. Production costs totaled $17.5 million and $16.2 million in Q3 and Q2, respectively. On a monthly basis, production costs are averaging approximately $5.6 million per month, consistent with the Feasibility Study plan on a comparable cost basis. Inventory adjustments, which vary quarter over quarter, were $3.6 million higher reflecting sales of 7,805 ounces in Q3 compared to production of 6,069 ounces.

A higher all in sustaining costs (“AISC”) of US$2,304 per oz resulted from a lower number of ounces produced over the period. A substantial portion of costs are relatively fixed in nature, with the consequent increase in both cash costs and AISC with lower ounce production. At higher grades, production costs are averaged over a larger number of ounces and unit costs should decrease.

Exploration

Drilling is underway at the north end of the property at the TNT area. Approximately 1,100 metres have been drilled to a depth of 200 to 400 metres per hole in four holes.

Drill hole TNT-19-02 tested a 40 ppb Au value in rock as well at two weak and one strong VLF conductors. The hole was drilled to 411.0 meters and is dominated by massive to pillowed mafic volcanics with interbedded sulphide-facies iron formation which are periodically cut by narrow intervals of feldspar porphyry, quartz-feldspar porphyry and gabbro dykes/sills. A 4.0m and 5.7m wide sulphide-facies iron formation was intersected and is believed to be the source of the strong VLF anomaly detected on surface. The iron formation intervals noted above were sent for analysis. No significant gold values were returned from these intervals.

TNT-19-03 which tested a strong VLF anomaly occurring along a mafic volcanic/granite contact did not intersect a sulphide interval that would explain the source of the VLF anomaly detected on surface. The source of the VLF anomaly is unexplained. Assay results are pending.

TNT-19-04 is testing two strong VLF anomalies. The hole is currently at 213 meters and is dominated by massive to pillowed mafic volcanics and interbedded sulphide-facies iron formation which are intruded by narrow intervals of feldspar porphyry, gabbro and intermediate dykes/sills. A 3.5 meter wide sulphide facies iron formation intersected from 140.0 to 143.50 metres is believed to be the source of the first strong VLF conductor detected on surface. This interval hosts up to 5% disseminated pyrite, pyrrhotite, chalcopyrite and a 3 cm interval of massive sphalerite (zinc). The second VLF conductor is expected to be intersected near 310.0 meters. Assay results are pending.

Operational Outlook

Based on results to-date, target production for Q4 is 5,000 to 7,000 ounces. Full year production guidance has been adjusted from 39,2000 ounces to 24,000 to 26,000 ounces.

While operating costs were stabilized in Q3, the reduction in production guidance required an adjustment to AISC guidance as similar expenditures are expected to be incurred over fewer ounces produced. AISC guidance is now US$2,000 to US$2,200 per ounce, from original guidance of US$1,300 to US$1,350 per ounce, until gold ounce production increases.

Liquidity and Capital Resources

Excluding the current portion of long-term debt of $6.4 million, the Company had a working capital deficit of $18.3 million at September 30, 2019. Management is reviewing liquidity and capital resources from both a short and longer-term perspective. Short-term liquidity needs may be resolved through either a drawdown of the Standby Commitment, or accessing other sources of funding, including the capital markets. The Board of Directors of the Company have approved initiating the drawdown of US$7.5 million under the Standby

Commitment, which funds will be used for general working capital purposes. A mine plan and capital budget for 2020 is underway. The outcome from this planning will define longer-term financing and capital requirements to complete the Company’s ramp up to a sustainable operating level.

Qualified Persons and NI 43-101 Disclosure

The technical content of this news release was reviewed and approved by Robert Kusins, P. Geo., Harte Gold’s Senior Mineral Resource geologist, a Qualified Person as defined in National Instrument 43-101 – Standards of Disclosure for Mineral Projects.

About Harte Gold Corp.

Harte Gold entered commercial production in 2019 at its wholly owned Sugar Zone Mine in White River Ontario. Using a 3 g/t gold cut-off, the NI 43-101 compliant Mineral Resource Estimate dated February 19, 2019 contains an Indicated Mineral Resource of 4,243,000 tonnes grading 8.12 g/t Au with 1,108,000 ounces contained gold and an Inferred Mineral Resource of 2,954,000 tonnes, grading 5.88 g/t Au with 558,000 ounces contained gold.

A NI 43-101 compliant Feasibility Study was completed on the Sugar Zone Mine effective February 15, 2019 calculating total Reserves of 3,879,000 tonnes grading 7.1 g/t Au with 890,000 ounces of gold. Exploration continues on the Sugar Zone Property, which encompasses 79,335 hectares covering a significant greenstone belt.

For further information, please contact:

Sam Coetzer
President and CEO

Shawn Howarth
Vice President, Corporate Development
Tel: 416-368-0999
E-mail: sh@hartegold.com

This news release includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. Such risks and uncertainties include, but are not limited to, there being no events of default or breaches of key financing agreements, including agreements with BNP Paribas and Appian; the Company being able to attract and retain qualified candidates to join the Company’s management team and Board, risks associated with the mining industry, including operational risks in exploration, development and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections in relation to production, costs and expenses; the uncertainty surrounding the ability of the Company to obtain all permits, consents or authorizations required for its operations and activities; and health, safety and environmental risks, the risk of commodity price and foreign exchange rate fluctuations, the ability of Harte Gold to fund the capital and operating expenses necessary to achieve the business objectives of Harte Gold, the uncertainty associated with commercial negotiations and negotiating with foreign governments and risks associated with international business activities, as well as those risks described in public disclosure documents filed by the Company. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in securities of the Company should not place undue reliance on these forward-looking statements.
Readers are cautioned that the foregoing list of risks, uncertainties and other factors are not exhaustive. The

forward-looking statements contained in this news release are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or in any other documents filed with Canadian securities regulatory authorities, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. The forward-looking statements are expressly qualified by this cautionary statement.
The Toronto Stock Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this news release.