

# First Uranium Corp.: Q3 2011 Production Results for the Three Months Ended December 31, 2010 and an Independent Technical Review of the Ezulwini Life of Mine Model

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*All amounts are in US dollars unless otherwise noted.*

## Q3 2011 PRODUCTION HIGHLIGHTS

### MINE WASTE SOLUTIONS

- \* Higher gold sales reported
- \* Expected gold output at MWS on track for 72,000 ounces for fiscal year 2011
- \* MWS continues to deliver on planned production with plant and tailings expansion projects on-track for completion in May 2011 and on schedule for the re-structured Gold Wheaton Completion Test

### EZULWINI MINE

- \* Highest-ever quarterly gold sales
- \* Expected gold output for fiscal 2011 at Ezulwini Mine downgraded from 80,000 ounces to 70,000 ounces as a result of important maintenance work with respect to Ezulwini Mine's shaft system undertaken during December 2010, with further adjustments to the shaft system planned for completion in April 2011
- \* Progress in respect of the design, manufacture and installation of the two columns in the Ion Exchange section of the uranium plant at Ezulwini Mine on track for commissioning by the end of March 2011

TORONTO AND JOHANNESBURG, Jan. 27 /[CNW](#)/ - [First Uranium Corporation](#) (TSX:FIU, JSE: FUM) (ISIN: CA33744R1029) ("First Uranium" or "the Company") today announced that during the three months ended December 31, 2010 ("Q3 2011"), 21,040 ounces of gold were sold from production from the Mine Waste Solutions' tailings recovery project ("MWS") in South Africa, and 19,477 ounces of gold were sold from production from the Ezulwini Mine. This represents quarter-on-quarter increases in gold sales of 12% and 29%, respectively.

In the same quarter last year, MWS sold 21,099 ounces of gold while Ezulwini Mine sold 8,315 ounces.

MWS had a particularly good production quarter, notwithstanding heavy rainfalls that caused intermittent flooding at its Phase 1a and Phase 1b pump stations. The third pump station, which is being constructed as part of the Phase 2 capital expenditure program is on track for completion by May 2011 to coincide with the completion of the Phase 2 gold circuit and the new tailings storage facility ("TSF").

Despite production stoppages, including a fatal accident on November 16, 2010, which resulted in a shut-down of four days in all of the underground workings, the Ezulwini Mine reported its highest-ever quarterly gold production. This largely reflects the positive impact of the upgrade to the backfill plant completed during September 2010, as well as the enhanced logistics management that resulted in increased face availability and an improved rate of shaft hoisting increasing the tonnage hoisted.

No uranium was produced at the Ezulwini Mine in Q3 2011 as a result of the repairs currently taking place in two columns of the Ion Exchange ("IX") section of the uranium plant, as disclosed by the Company in a news release dated August 31, 2010. It is expected that re-commissioning will occur by the end of March 2011.

In January 2011, the Ezulwini Mine's management finalised an updated life of mine model which provides an update on its mine plan, along with updated guidance on cash flow to execute on capital programs and

milestones to achieve its business plan. R. Dennis Bergen, P.Eng and Wayne Valliant P. Geo of Scott Wilson Roscoe Postle Associates ("SWRPA") Inc., each of whom is a "qualified person" under NI 43-101 and is independent of First Uranium, have completed an independent review of management's life of mine model and mineral resource estimate and are finalizing the NI 43-101 compliant updated technical report for the Ezulwini Mine. A summary of the project economics per the updated life of mine model compared to the economics of the indicative life of mine plan that was issued by management in July 2010 is provided later in this news release.

"I am pleased that the updated technical information confirms the Ezulwini mineral resource estimate and mine plans and that these plans are largely in line with the implementation and ramp-up initiatives currently in place" said Deon van der Mescht, President and CEO. "Management remains firmly committed to executing these plans."

First Uranium's revenue increased to \$51.3 million in the third quarter ended December 31, 2010 (Q2 2011: \$38.3 million) and gross profits from the operations increased to \$7.6 million (Q2 2011: \$0.1 million). The Company's consolidated pre-tax loss for the quarter of \$19.1 million (Q2 2011: \$27.1 million) was lower than the second quarter. Cash utilized in the Company's operating activities amounted to \$3.7 million (Q2 2011: \$10.3 million) while \$32.3 million (Q2 2011: \$23.8 million) was spent on capital projects at the operations comprising mainly the MWS Phase 2 and TSF capital projects. As at December 31, 2010, current assets were \$53.4 million and included cash and cash equivalents of \$30.0 million.

The foregoing financial information has not yet been reviewed by the Company's auditors or signed off by the Audit Committee. The Company plans to release its unaudited interim financial statements and related Management's Discussion and Analysis for Q3 2011 in the first week of February 2011. In January 2011 the Company changed its auditors from Pricewaterhouse Coopers LLP which is based in Toronto to Pricewaterhouse Coopers Inc. which is based in Johannesburg, to align the external audit function with the move of most of the Company's head office function to South Africa and proximity to the Company's operations.

The Company's production and financial results for the quarter were negatively impacted primarily because of lost production time at the Ezulwini Mine resulting from the fall of ground in November 2010 and the shaft maintenance program, which is currently underway and explained in more detail under the Ezulwini Mine section below. The Company's fourth quarter results may also be negatively impacted by the latter. The Company's current cash resources may be insufficient to address its medium-term working capital needs. Accordingly, the Company has retained RBC Capital Markets as its financial advisor to review all funding alternatives.

The following table summarizes the production from each operation during Q3 2011. Production from the previous three quarters has been included for comparison purposes.

### Quarterly Production Results

2011 YTD	Q3 2011	Q2 2011	Q1 2011	2010 YTD	Q3 2010	2010 YTD	Q3 2010
<b>MWS</b>							
Tonnes of ore reclaimed (000s)	9,796	3,521	3,170	3,105	7,839	3,528	
Average gold head grade (g/t)	0.35	0.34	0.35	0.36	0.38	0.34	
Gold plant recovery (%)	55%	55%	52%	56%	49%	58%	
Gold sold (oz)	60,791	21,040	18,743	21,008	43,514	21,099	
<b>Ezulwini Mine</b>							
Tonnes of ore milled	441,983	162,166	146,854	132,963	295,570	108,503	
Average gold recovery grade (g/t)	3.24	3.3	3.1	3.3	2.32	2.8	
Gold sold (oz)	48,296	19,477	15,066	13,753	18,740	8,315	
Uranium produced (lbs)	31,408	-	31,408	-	23,761	23,761	

Abbreviation	Period	Abbreviation	Period
Q1 2010	April 1, 2009 - June 30, 2009	Q1 2011	April 1, 2010 - June 30, 2010
Q2 2010	July 1, 2009 - September 30, 2009	Q2 2011	July 1, 2010 - September 30, 2010
Q3 2010	October 1, 2009 - December 31, 2009	Q3 2011	October 1, 2010 - December 31, 2010
Q4 2010	January 1, 2010 - March 31, 2010	Q4 2011	January 1, 2011 - March 31, 2011
2010 YTD	April 1, 2009 - December 31, 2009	2011 YTD	April 1, 2010 - December 31, 2010
FY 2010	April 1, 2009 - March 31, 2010	FY 2011	April 1, 2010 - March 31, 2011

### Operations Overview

### Mine Waste Solutions

MWS experienced an excellent quarter and continues to deliver into its plan. This represents the fourth successive quarter that MWS has either achieved or exceeded its targeted production levels. MWS remains on-track to increase its throughput from 1,200,000 tpm to 1,800,000 tpm by September 2011.

The remaining capital program comprising the third gold plant module (Phase Two) and the new TSF, including adjoining infrastructure, are on track for completion by May 2011, which should ensure that the re-structured Gold Wheaton completion test will be satisfied prior to September 1, 2011. As at December 31, 2010, \$113 million (ZAR831 million) of the \$147 million (ZAR980 million) allocated for the completion of the Phase Two expansion program has been spent, while \$28 million (ZAR216 million) of the \$45 million (ZAR295 million) allocated for the new TSF has been spent.

### **Ezulwini Mine**

The Ezulwini Mine experienced its highest-ever production quarter with a 29% increase in gold sold in Q3 2011. This reflects the positive impact of the upgrade to the backfill plant completed during September 2010, which has allowed for improved gold sales and, more importantly, safer extraction of pillars adjacent to mined-out voids.

During December 2010, the shaft hoisting capacity was restricted due to lateral pressures being placed onto the shaft sidewall, which in turn created pinch points along the hanging tower structure. The Company has therefore undertaken a work program to moil (clear) the pinch points limiting movement of the hanging tower, which resulted in the hoisting capacity of the mine being restricted during the December 2010 and January 2011 period.

The initial moiling program was successfully concluded between December 23, 2010 and January 2, 2011 and the normal hoisting program resumed. Additional shaft inspections were undertaken shortly thereafter and it was noted that further tight spots between the shaft sidewalls and hanging tower occurred as the tower realigned itself. As a precautionary safety measure, management halted the shaft for additional rehabilitation work, losing four production shifts in the process. As of January 7, 2011, the shaft had returned to normal operating conditions.

A work program to conduct further moiling around the shaft's hanging tower is underway and precautions are in place to ensure that any further effect on production is minimized. The moiling program may have intermittent impacts on production until the end of April 2011.

Improvements to hoisting procedures have increased hoisting efficiency (rate through the shaft), providing the ability to meet planned production rates with fewer shifts.

As a result of the four shifts lost in January 2011, and the possibility of further production disruptions until April 2011, management has downgraded the gold forecast from the Ezulwini Mine for Q4 2011 resulting in a reduction in the FY 2011 gold forecast, from 80,000 ounces to between 69,000 and 70,000 ounces of gold.

The total ounces of gold sold for Q3 2011 include 996 ounces which were drawn from the plant leach tanks to enable the annual maintenance on the leach tanks.

The Ezulwini Mine's uranium plant is on schedule for re-commissioning by the end of March 2011.

### **Updated Project Economics for the Mine**

There is no material difference between the July 2010 life of mine plan and management's updated life of mine model. The results of the independent review performed by Dennis Bergen and Wayne Valiant of SWRPA on management's updated life of mine model are summarized below:

Table 1 - Updated project economics for the Ezulwini Mine

Life of mine - average operating costs Price Deck) January 2011 (New Price Deck)	July 2010	January 2011 (Old
Operating cost per tonne milled (\$/tonne)	75	79
Gold cash (\$/ounce) - co-product	486	482
Uranium cash cost (\$/Lb) - co-product	31	31
Projected capital expenditure (\$ million)	363	385
Average annual life of mine production:		
Gold (ounces)	263,631	279,000
Uranium (pounds)	717,000	743,000
NPV (\$ million)	586	612

**Notes:**

1. In the January 2011 life of mine model the gold unit cost was calculated with uranium as a by-product as uranium is only expected to represent approximately 14% of the revenue over the life of mine. The cost per ounce of gold is estimated to be \$440 after taking the uranium by-product credit of \$161/oz gold.
2. NPV is calculated using a real discount rate of 8%.

	FY2011	FY2012	FY2013	FY2014	FY2015
Updated					
LoM	Spot Gold				
(\$/oz)	1,400	1,300	1,200	1,100	1,000
Uranium					
(\$/lb)	65	65	65	60	60.24
ZAR / US\$	6.90	7.50	8.10	8.50	9.10
July 2010					
Life of Mine					
Model	Spot Gold				
(\$/oz)	1,168	1,062	1,003	1,004	971
Uranium					
(\$/lb)	45	62	58	55	55
ZAR / US\$	8.00	8.45	8.83	8.93	9.33

The economic analysis contained in this news release is based, in part, on inferred resources and is preliminary in nature. Inferred resources are considered too geologically speculative to have mining and economic considerations applied to them and to be categorized as Mineral Reserves. There is no certainty that the interpretations and conclusions of this Preliminary Assessment, or reserve development, production and economic forecasts on which this Preliminary Assessment is based, will be realized.

**OUTLOOK**

Mine Waste Solutions: As a result of MWS exceeding its plan for the nine months ending December 2010 by approximately 6,500 ounces, guidance for FY 2011 has been upgraded from 72,000 ounces to between 78,500 ounces and 80,000 ounces. This is a 9% improvement on the production plan for the nine months ending December 2010 which was achieved at an average Cash Cost\* of \$488/oz.

Ezulwini Mine: The work program around the hanging tower is expected to be completed by the end of April 2011. As a result of the shaft work program, FY 2011 gold forecast has been downgraded from 80,000 ounces to between 69,000 ounces and 70,000 ounces. The IX columns in the uranium plant are planned for commissioning during the end of Q4 2011, allowing the resumption of uranium production. Uranium production in FY 2012 is expected to be between 120,000 pounds and 140,000 pounds at cash costs of approximately \$53/lb.

**Conference Call**

First Uranium will conduct a conference call with investors to discuss the information in this news release at 9 a.m local Toronto time and 4 p.m local Johannesburg time on Thursday 27 January, 2011.

The conference call will be available simultaneously to all interested analysts, investors and media.

Callers may dial +27 11 535 3600 from all international locations or 0800 200 648 (South Africa).

A telephone replay of the conference call will be available for 3 days. To access the replay, callers may dial +27 11 305 2030. Access to the replay will require the code/ account number 16696 followed by #.

### **Technical Disclosure**

All technical disclosure in this news release relating to the January 2011 update (new price deck) of the technical information on the Ezulwini Mine has been prepared in accordance with National Instrument ("NI") 43-101 by R. Dennis Bergen, P.Eng and Wayne Valliant, P.Geo of Scott Wilson Roscoe Postle Associates ("SWRPA") Inc., each of whom is a "qualified person" under NI 43-101 and is independent of First Uranium.

\*"Cash Costs" are costs directly related to the physical activities of producing gold and uranium and include mining, processing and other plant costs; third-party refining and smelting costs; marketing expense, on-site general and administrative costs; royalties; on-mine drilling expenditures that are related to production and other direct costs. Sales of by-product metals such as uranium and silver are deducted from the above in computing cash costs. Cash costs exclude depreciation, depletion and amortization, corporate general and administrative expense, exploration, interest, and pre-feasibility costs and accruals for mine reclamation. Cash costs are calculated and presented using the "Gold Institute Production Cost Standard" applied consistently for all periods presented. The Gold Institute was a non-profit industry association comprised of leading gold producers, refiners, bullion suppliers and manufacturers. This institute has now been incorporated into the National Mining Association. The guidance was first issued in 1996 and revised in November 1999. Total cash costs per ounce is a non-GAAP measurement and investors are cautioned not to place undue reliance on it and are advised to read all GAAP accounting disclosures presented in the Corporation's Financial Statements.

### **Non-GAAP Measures**

The Company believes that in addition to conventional measures prepared in accordance with Canadian GAAP, the Company and certain investors and analysts use certain other non-GAAP financial measures to evaluate the Company's performance including its ability to generate cash flow and profits from its operations. The Company has included certain non-GAAP measures throughout this document. Non-GAAP measures do not have any standardized meaning prescribed under Canadian GAAP, and therefore they may not be comparable to similar measures employed by other companies.

The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with Canadian GAAP.

### **About First Uranium Corporation**

First Uranium Corporation (TSX:FIU, JSE:FUM) is focused on its goal of becoming a low-cost producer of uranium and gold through the expansion of the underground development to feed the new uranium and gold plants at the Ezulwini Mine and through the expansion of the plant capacity of the Mine Waste Solutions (MWS) tailings recovery facility, both operations situated in South Africa. First Uranium also plans to grow production by pursuing value-enhancing acquisition and joint venture opportunities in South Africa and elsewhere.

### *Cautionary Language Regarding Forward-Looking Information*

*This news release contains and refers to forward-looking information based on current expectations. All other statements other than statements of historical fact included in this release including, without limitation, statements regarding the timing and amount of estimated future production, the processing and development plans, operating and capital cost estimates, resource estimates, metal prices, exchange rates, discount rates, the timing and receipt of required permits, the ability to satisfy the Gold Wheaton Completion Test and future plans and objectives of First Uranium are forward-looking statements (or forward-looking information) that involve various estimates, assumptions, risks and uncertainties. For more details on these estimates, assumptions, risks and uncertainties, see the Company's most recent Annual Information Form ("AIF") and Management's Discussion and Analysis ("MD&A") on file with the Canadian provincial securities regulatory authorities on SEDAR at [www.sedar.com](http://www.sedar.com). No assurance can be given that a financing transaction will be concluded. These forward-looking statements are made as of the date hereof and there can be no assurance that such statements will prove to be accurate, such statements are subject to significant risks and uncertainties, and 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 that are included herein, except in accordance with applicable securities laws. For details on the [Gold Wheaton Completion Test](#) see the AIF and MD&A.*

**For further information:**

Julian Gwillim, [julian@aprio.co.za](mailto:julian@aprio.co.za)  
Gail Strauss, [gailstrauss@mweb.co.za](mailto:gailstrauss@mweb.co.za)  
[www.firsturanium.com](http://www.firsturanium.com)

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