

Shore Gold Inc. announces second quarter 2010 results

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SASKATOON, Aug. 12 - [Shore Gold Inc.](#) ("Shore" or the "Company") reports that the unaudited results of Shore's operations for the quarter ended June 30, 2010 will be filed today on SEDAR and may be viewed at www.sedar.com once posted. A summary of key financial and operating results for the quarter is as follows:

Highlights

- Announced the results of a revaluation of the diamond parcels from the Star and Orion South Kimberlites, which indicated parcel prices show increases between 11 and 19 percent above the prices that were used in the combined pre-feasibility study ("PFS") and Mineral Reserve estimate ("Combined PFS")
- Announced the results of a diamond type analysis which indicates that 26 percent of all diamonds exceeding 2.7 carats in size from the Star underground bulk sample are Type IIa diamonds
- Announced information gathering agreements and Memoranda of Understanding ("MOU") with certain First Nation and Métis communities
- Announced the purchase of the three percent Net Profits Interest ("NPI") held for a consideration of \$1.0 million
- Welcomed the announcement of a diamond royalty system for the Province of Saskatchewan
- Working capital of \$27.9 million at June 30, 2010
- Issued and outstanding shares of 224,454,242 at June 30, 2010

Overview

Combined Star - Orion South Diamond Project

During the quarter, the Company was pleased to announce the results of a revaluation of the diamond parcels from the Star and Orion South Kimberlites (See SGF News Release dated June 8, 2010). The parcel prices show increases between 11 and 19 percent above the March 2008 prices that were used in the Combined PFS. Modeled prices ranging between US\$116 and US\$344 per carat have been determined for the diamond populations of the major kimberlite units that make up the Star and Orion South Kimberlites. These valuations were determined on underground diamond parcels totaling 10,309.07 carats for the Star Kimberlite ("Star") and 2,320.20 carats from the Orion South Kimberlite. These updated modeled diamond prices will have a significant positive effect on the future economics of the Star - Orion South Diamond Project. Increased diamond prices not only have an immediate positive effect on the current financial model, which is sensitive to diamond prices, but also enable the recalculation and optimization of the Star and Orion South open pits.

In addition to the revaluation, the Company also announced the results of a diamond type analysis performed on the Star underground bulk sample diamond parcel (See SGF News Release dated June 9, 2010). This analysis indicated that 26 percent of all diamonds exceeding 2.7 carats in size from the Star underground bulk sample are Type IIa diamonds. Type IIa diamonds are rare and account for less than 2 percent of all natural rough diamonds in the world. Type IIa diamonds contain no nitrogen or boron impurities and are frequently either top white colours (D, E, F or G) or any shade of brown. Many pink and brownish-pink diamonds are also Type IIa. The coarse diamond size frequency distribution for the Star diamond populations (particularly the Early Joli Fou and Cantuar kimberlite units), combined with this significant proportion of Type IIa diamonds, strongly suggests the potential for the recovery of large (plus 100 carat), high quality diamonds at Star. Based on the coarse diamond size frequency distribution for the Star diamond populations, the processing plant contemplated for the Star - Orion South Diamond Project is being designed to recover diamonds up to 800 carats, depending on their shape.

During the quarter, the Company was also pleased to announce it had reached agreement with Red Earth

Cree Nation to gather information on traditional aboriginal land use and traditional knowledge in the Fort à la Corne forest (See SGF News Release May 12, 2010). This information will be used in preparation of Shore's Environmental Impact Statement ("EIS") for the Star - Orion South Diamond Project and will form part of the Environmental Impact Assessment ("EIA") that will be completed later this year. As part of the EIA, the Company also held the second round of Community Open House meetings, with local communities continuing to show strong support for the project (See SGF News Release June 21, 2010).

The Company also announced that it has signed Memoranda of Understanding ("MOU") with Sturgeon Lake First Nation ("Sturgeon Lake"), Métis Nation - Saskatchewan Eastern Region II ("Eastern Region II") and Métis Nation - Saskatchewan Western Region II ("Western Region II") (See SGF News Releases dated May 17 and June 17, 2010). These Memoranda agree that discussions will be held surrounding potential education, training, employment and business opportunities for Sturgeon Lake, Eastern Region II and Western Region II members as a result of the potential development of the Star - Orion South Diamond Project. The MOUs follow earlier agreements with Sturgeon Lake, Eastern Region II and Western Region II concerning information gathering about traditional aboriginal land use in the Fort à la Corne forest.

In early June, Shore also welcomed the announcement by the Province of Saskatchewan of a competitive diamond royalty system (See SGF News Release dated June 2, 2010). The royalty system was developed in consultation with the mining industry and is consistent with the parameters used in the financial model developed for the Combined PFS. The announcement of the diamond royalty system removes one more uncertainty with respect to the potential development of the Star - Orion South Diamond Project.

The Company also recently announced that Shore has exercised its right to purchase the three percent Net Profits Interest ("NPI") for a consideration of \$1.0 million (See SGF News Release dated August 9, 2010). Fifteen claims (S-132025 to S-132039), three of which are directly associated with the Star Kimberlite, were originally staked by a third party in 1995 and were subsequently transferred to Shore in 1997 for a consideration of the grant of a three percent NPI, payable should a positive production decision be made and the property achieve commercial mineral production. Shore had the option to purchase the NPI any time prior to 90 days after a positive production decision on any of the claims, for \$1.0 million.

Quarterly Results

For the quarter ended June 30, 2010, the Company recorded a net loss of \$1.4 million or \$0.01 per share compared to a net loss of \$2.2 million or \$0.01 per share for the same period in 2009. The loss for the quarters ended June 30, 2010 and 2009 were primarily due to ongoing operating costs incurred by the Company exceeding interest revenue earned on cash and cash equivalents and short-term investments. Also contributing to the net loss for the comparative period in 2009 was a \$0.6 million write-down of certain mineral property expenditures incurred during that quarter.

Year to Date Results

For the six-month period ended June 30, 2010, the Company recorded a net loss of \$1.0 million or \$0.00 per share compared to a net loss of \$6.1 million or \$0.03 per share for the same period in 2009. The loss during 2010 was primarily due to ongoing operating costs incurred by the Company exceeding interest revenue earned on cash and cash equivalents and short-term investments. Also contributing to the loss during the six-month period ended June 30, 2010 was the \$0.4 million write-down of mineral property expenditures incurred by the Company on certain of its mineral properties as well as the \$0.9 million equity accounting loss on the Company's investment in Wescan Goldfields Inc. ("Wescan"), offset by income tax recoveries of \$3.4 million. The net loss for the comparative period in 2009 was primarily due to the \$6.3 million write-down of mineral property expenditures incurred by the Company on certain of its mineral properties.

Selected financial highlights include:

| | As at June 30, 2010 | As at Dec 31, 2009 |
|-----------------------------|---------------------------|--------------------------|
| Consolidated Balance Sheets | | |
| Current assets | \$ 29.8 M | \$ 40.5 M |
| Capital and other assets | 238.3 M | 230.8 M |
| Current liabilities | 2.0 M | 2.1 M |
| Long-term liabilities | 1.5 M | 1.5 M |

| | | | |
|---|--------------------|--------------------|--------------------|
| Share capital | | 792.0 M | 795.3 M |
| Contributed surplus | | 27.8 M | 26.6 M |
| Deficit | | 555.2 M | 554.2 M |
| | | Three months Ended | Three months Ended |
| | | June 30, 2010 | June 30, 2009 |
| Consolidated Statements of Income | | June 30, 2010 | June 30, 2009 |
| Interest and other income | \$ - M | \$ - M | \$ 0.1 M |
| Operating expenses | 1.6 M | 1.5 M | 3.5 M |
| Loss for the period before other items | (1.6)M | (1.5)M | (3.4)M |
| Change in fair value of investments | 0.2 M | (0.1)M | 0.3 M |
| Write-down of mineral properties | - M | (0.6)M | (0.4)M |
| Loss from Wescan Goldfields Inc. | - M | (0.1)M | (0.9)M |
| Future income taxes | - M | 0.1 M | 3.4 M |
| Net and comprehensive loss for the period | (1.4)M | (2.2)M | (1.0)M |
| Loss per share | (0.01) | (0.01) | (0.00) |
| | Three months Ended | Three months Ended | Six months Ended |
| | June 30, 2010 | June 30, 2009 | June 30, 2010 |
| Consolidated Statements of Cash Flows | June 30, 2009 | June 30, 2010 | June 30, 2009 |
| Cash flows from operating activities | \$ (1.1)M | \$ (0.2)M | \$ (3.0)M |
| Cash flows from investing activities | (0.3)M | (7.5)M | 3.5 M |
| Net increase (decrease) in cash | (1.4)M | (7.7)M | 0.5 M |
| Cash - beginning of period | 4.5 M | 10.6 M | 2.6 M |
| Cash - end of period | 3.1 M | 2.9 M | 2.9 M |

Outlook

As of August 6, 2010, the Company had approximately \$26.9 million in cash and cash equivalents and short-term investments. The Company is focused on advancing a combined Star - Orion South Diamond Project based on the positive results of the Combined PFS. The updated modeled diamond prices obtained during the second quarter will have a significant positive effect on the future economics of the Star - Orion South Diamond Project. These updated prices will enable a recalculation and optimization of the Star and Orion South open pits, resulting in a probable increase in mineral reserves. In addition, since the completion of this diamond revaluation, prices for rough diamonds have continued to rise. The positive outlook for the future of diamond prices and related improved economics of the Combined PFS support the Company's view that the Star and Orion South Kimberlites have the potential to be developed into a world class diamond mine.

The Company's cash and cash equivalents and short-term investments will be used to perform certain required exploration and engineering work based on recommendations in the Combined PFS which will facilitate a production decision on the Star - Orion South Diamond Project. This will include desk-top engineering, data analysis, geotechnical and hydrogeological drilling programs, recalculation and optimization of the Star and Orion South open pits based on the updated diamond price valuation and advancing the EIS. Final field work, detailed desktop engineering and permitting are on track to support a production decision in 2011. The Company's funds will also be used to complete planned exploration programs on Buffalo Hills and for general corporate matters. Cash and cash equivalents and short-term investments may also be used to fund various other exploration activities, to purchase certain construction assets or to acquire and explore additional properties as opportunities warrant.

Technical Information

All technical information in this press release has been prepared under the supervision of George Read, Senior Vice-President of Exploration and Development, Professional Geoscientist in the Provinces of Saskatchewan and British Columbia, and Shawn Harvey, Geology Manager, Professional Geoscientist in the Province of Saskatchewan, who are the Company's "Qualified Persons" under the definition of NI 43-101.

Caution Regarding Forward-looking Statements

This news release contains forward-looking statements within the meaning of certain securities laws, including the "safe harbour" provisions of Canadian securities legislation and the United States Private Securities Litigation Reform Act of 1995. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," and words and expressions of similar import are intended to identify forward-looking statements, and, in particular, statements regarding Shore's future operations, future exploration and development activities or other development plans contain forward-looking statements. Forward-looking statements in this news release include, but are not limited to, forecasts related to future diamond prices, the use of funds to fund exploration activities or the purchase of construction assets, potential increases in mineral reserves, the impact of the presence of Type IIa diamonds and the exploration of additional properties.

These forward-looking statements are based on Shore's current beliefs as well as assumptions made by and information currently available to it and involve inherent risks and uncertainties, both general and specific. Risks exist that forward-looking statements will not be achieved due to a number of factors including, but not limited to, developments in world diamond markets, changes in diamond valuations, risks relating to fluctuations in the Canadian dollar and other currencies relative to the US dollar, changes in exploration, development or mining plans due to exploration results and changing budget priorities of Shore or its joint venture partners, the effects of competition in the markets in which Shore operates, the impact of changes in the laws and regulations regulating mining exploration and development, judicial or regulatory judgments and legal proceedings, operational and infrastructure risks and the additional risks described in Shore's most recently filed Annual Information Form, annual and interim MD&A, news releases and technical reports. Shore's anticipation of and success in managing the foregoing risks could cause actual results to differ materially from what is anticipated in such forward-looking statements.

Although management considers the assumptions contained in forward-looking statements to be reasonable based on information currently available to it, those assumptions may prove to be incorrect. When making decisions with respect to Shore, investors and others should not place undue reliance on these statements and should carefully consider the foregoing factors and other uncertainties and potential events. Unless

required by applicable securities law, Shore does not undertake to update any forward-looking statement that may be made.

For further information:

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