SAS Reports 2010 Third Quarter Results

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TORONTO, Nov. 8 /CNW/ - St Andrew Goldfields Ltd. (T-SAS), ("SAS" or the "Company") reports net income for the third quarter of $6.3 million, or $0.02 on a per share basis. Adjusted net earnings(1) for the quarter were $5.0 million or $0.01 per share.

Third QUARTER HIGHLIGHTS:

► Total production for the quarter was 18,912 ounces of gold.

► Total sales for the quarter were 19,760 ounces of gold at an average realized price of US$1,232 an ounce (1).

► Total cash cost of US$662 per ounce of gold sold (1).

► Generated cash flow from operations of $1.8 million in the quarter. Operating cash flow before the repayment of Gold Notes was $4.2 million (1).

► Completed $28.9 million in equity financings.

► Retired the outstanding $7.6 million principal amount of secured debentures and repurchased 23.5% of the face value of the senior secured Gold Notes for a value of $5.7 million.

► Accelerated exploration programs at the Deep Thunder Zone, the Garrison Creek Project and the Taylor Project.

"We had a busy third quarter and are pleased with our progress," said Jacques Perron, President and CEO of SAS. "The Holloway Mine continued to perform well and the Smoke Deep ramp development program is advancing at the planned rate. The first quarter of production at the Hislop Mine demonstrated steady improvements throughout the three month period and we continue to work diligently at further improving the performance of the operation. As expected, the ore grade at Hislop was initially lower than the mine life average and is expected to increase as mining progresses deeper and towards the east end of the open pit. At the Holt Mine, pre-production activities have been ongoing throughout the quarter. At the end of the quarter, we had a total of 411 employees and contractors employed at our various projects and head office. We are still on track to reach our gold production objective of approximately 80,000 ounces for the year. We successfully completed an equity financing that provides us with the funding to accelerate our plans and to be opportunistic if warranted. We are now conducting our exploration program at an accelerated pace. At the end of the quarter, six drills were in operation with a 7th drill to be added in November."

Holloway Mine Operating Performance

The Holloway Mine produced 14,230 ounces of gold in the third quarter, which was slightly below the gold production achieved in previous quarters, due to sequencing in the higher grade Blacktop Footwall Upper Zone. The production sequence resulted in a lower head grade and mill recovery in the third quarter when compared to the previous quarter. As a result, annual gold production for the Holloway Mine has been revised from 65,000 ounces to 60,000 ounces for 2010.

Cash margin from mine operations (1) in the third quarter increased by approximately $1.5 million from the previous quarter due to increased sales and a decrease in total cash cost per ounce of gold sold (1). Total cash cost per ounce of gold sold during the quarter decreased to US$539 an ounce from US$551 an ounce achieved in the second quarter of 2010, due to mine-site cost improvements and the strengthening of the United States dollar against the Canadian dollar during the quarter, offset partially by an increase in the production royalty. During the quarter, mine site costs (1) improved from $95 per tonne milled in the previous quarter, to $73 per tonne as a result of process improvement initiatives which reduced operating costs and improved throughput.

Ramp construction to access the Smoke Deep Zone commenced in July 2010 and to the end of the quarter approximately 300 metres have been excavated at a capital cost of $1,204,000, which puts the Company on target to enter the zone at the end of the first quarter of 2011. The Smoke Deep development program is forecast to incur an additional $2.5 million of capital expenditures in the fourth quarter of 2010, with the remaining $2.3 million to be incurred in the first quarter of 2011.

Hislop Mine Update

Production at the Hislop Mine began during the third quarter of 2010. The mine produced 4,682 ounces of gold from processing 110,587 tonnes of ore at a head grade of 1.51 g/t Au. Mill recovery during the quarter was 87.5% which is higher than the recovery as outlined in the technical report (see RPA Technical Report on the Hislop Project, dated September 28, 2009, filed on SEDAR at www.sedar.com or available on the Company's website at www.sasgoldmines.com); and higher than the recovery achieved in the previous quarter.

The mined ore grade was negatively impacted by higher than expected dilution and the continuity of the ore zones in the northwest section of the pit.

The mined ore grade is expected to increase as mining proceeds to the lower benches of the pit and throughout the mine life as outlined in the life-of-mine plan. The ore is more linear and less erratic as mining progresses to the southeast from the existing mining faces located in the northwest portion of the pit. Rigorous grade control procedures have been established at the Hislop Mine, which includes blasthole and muck sampling in conjunction with on site geological and technical resources to optimize the blasting and mucking activities, and improve the ore grade. During the quarter, the head grade improved month over month from 1.28 g/t to 1.64 g/t.

Mine-site cost per tonne milled (1) for the first quarter of operation at the Hislop Mine was $49 per tonne, which is $5 a tonne higher than the life-of-mine target due to lower throughput, mainly related to the optimization of the crushed ore size in relation to the mill throughput. Site crusher tests were completed in September, and the new crusher configuration has since been implemented which resulted in a steady improvement in throughput during the quarter, month over month from, 31,412 tonnes to 44,431 tonnes. The annual gold production target for the Hislop Mine has been adjusted to 12,000 ounces for 2010.

Total cash cost per ounce of gold sold (1) for the quarter was US$1,184 an ounce which was the result of the lower ore grade and mill throughput achieved for the quarter. The Company anticipates the total cash cost per ounce (1) will improve once the ore grade reaches approximately 2.0 g/t.

Holt Mine Update

The Holt Mine is expected to be placed into production in early 2011.

In July 2009, the Company received a favourable decision from the Superior Court of Justice (Ontario) on the Holt Royalty. Newmont Canada Limited has appealed the Court's decision on the Holt Royalty and the appeal has been scheduled to be heard on March 1, 2011. The Company is also evaluating its options in the event of any possible delay in the legal process.

During the third quarter of 2010, the Company commenced pre-production activities at the Holt Mine with an estimated 8,000 ounces of gold forecast to be produced during the fourth quarter. The Company fully anticipates that the legal issue on the Holt Royalty will be favourably resolved in early 2011. The pre-production and capital budget for 2010 is estimated at $6.5 million, of which the Company has incurred $1,592,000 in mine development and $446,000 in equipment rehabilitation up to September 30, 2010. Development activities during the third quarter were focused on track rehabilitation on the 1075 level, completion of rehabilitation of the C-103 development headings and the commencement of C-103 development in late September. Equipment rehabilitation during the quarter included preparatory work for the hoist upgrade, electrical upgrades and reinstallation, mobile equipment rehabilitation, and enhancements to the communications system. At the end of the third quarter there were 33 employees at the Holt Mine. Recruitment of skilled miners and trades people continues to be a priority. The Company anticipates that the Holt Mine will have a full complement of approximately 125 miners, tradesmen, and technical staff in the first quarter of 2011.

2010 Exploration Update

Garrison Creek Project

At the Garrison Creek Project, drilling in the third quarter totaled 6,100 metres in 11 holes of which 5 of these holes were drilled over a strike length of approximately 100 metres along the north-south trending Garrison Fault that passes through a previously unknown syenite intrusive. All 5 of these drill holes intersected multiple zones, measuring 20 to 40 metres on core length, consisting of numerous quartz veinlets with associated alteration, sulfide mineralization and at several locations, visible gold. These zones appear to be of similar character to holes drilled earlier in this program that returned 0.95 g/t Au over 38.0 metres in hole GC10-04 and 0.81 g/t Au over 187.6 metres in hole GC10-06.

To date, only a limited number of assays have been returned and will be released once assays for the entire mineralized zones have been returned. Previous results are included in the press release dated September 15, 2010, available on www.sedar.com, or on the Company's website at www.sasgoldmines.com.

Given the positive results to date, the Company has accelerated the drilling program to better define the gold mineralization in the area of the recent drilling, from surface to a vertical depth of approximately 500 metres, and continue drilling along strike of the Garrison Fault, within the syenite where there exists over 1 kilometre of strike length that remains untested. The drilling has highlighted two types of targets: first, a lower grade, large tonnage target within brittle/ductile sheared quartz-veined syenite; and second, higher grade gold values within sheared zones that host quartz-carbonate veins that contain several species of sulfide minerals and several occurrences of visible gold.

Holloway Mine - Deep Thunder Zone

Surface exploration drilling in the third quarter at the Deep Thunder Zone totaled 7,100 metres in 13 holes and wedges. The recent drilling further validates the geological model used to discover and assess the Smoke Deep Zone and the Deep Thunder Zone and will now be used as a guide to focus continued exploration drilling both east and west of the Holloway Mine. It is interpreted that gold bearing fluids travelled along east-northeast trending sheared rocks (i.e. High Strain Zones), that deposited gold near the contact between mafic and ultramafic volcanics and within ultramafics themselves. It appears that further concentration of the gold occurred along pre-existing basin faults that were subsequently folded, providing an opportunity for repetitions of the gold mineralized zones. This has implications for future exploration below the known zones of mineralization around the mine area.

The most recent results from the Deep Thunder Zone include two holes along the western margin of the mineralized zone that returned 5.0 g/t Au over 3.1 metres from hole GH10-09 and 5.7 g/t Au over 1.4 metres from hole GH10-09W1 that appear to have limited the western strike extension of the mineralized zone, which is in agreement with the contacts projected from the geological model. Along the eastern and down dip extent of the mineralized zone, which extends approximately 350 metres along strike and 500 metres down dip, hole GH10-10, which was drilled approximately 50 metres further to the east than any other drilling, returned 20.5 g/t Au over 2.7 metres, thus extending the gold mineralization in this area which still remains open along strike and down dip. Previous drilling completed to the west of GH10-10 returned 30.2 g/t Au over 3.0 metres in hole GH92-76W, and 24.5 g/t Au over 5.7 metres in hole GH10-76W2.

Previous results are included in the press release dated September 15, 2010, available on www.sedar.com, or on the Company's website at www.sasgoldmines.com.

Taylor Project

The Company recently commenced a second phase of drilling at the Taylor Project to better define zones of higher grade gold mineralization at the West Porphyry and Shoot Zones in order to better assess the continuity of the higher grade gold mineralization and to assess the possible extension of these zones. In addition, this drilling will provide follow-up on drilling on a possible new lens occurring on the Bourgeois claim intersected by drilling earlier in the year, and also, drilling of a possible new lens below the West Porphyry Zone intersected with two holes this year.

Capital Resources

During the quarter, the Company completed $28.9 million in brokered and non-brokered private placements of common share units ($12.0 million on a flow-through basis and $16.9 million on a non-flow-through basis); and repurchased for cancellation US$3.8 million face amount of the Gold Notes, representing approximately 23.5% of its outstanding Gold Notes or the equivalent of 6,156 ounces of gold for a value of $5.7 million. These financings and the retirement of 23.5% of the face value of the Gold Notes provided the Company with the necessary liquidity and capital resources to accelerate its exploration programs at the Deep Thunder Zone, the Garrison Creek Project and the Taylor Project and to advance the development of the Smoke

Deep Zone at the Holloway Mine, the development of the Hislop Mine and the Holt Mine.

In third quarter, the Company retired its outstanding secured debentures, due on December 31, 2010. Included in the payment of $8,432,000 was $7,555,000 in principal amount, $877,000 in outstanding participation fees and interest incurred up to the date of the debt retirement. Pursuant to the debt retirement, all security interests over the Company's assets held as collateral under the secured debentures were discharged.

(1) Non-GAAP Measures

Adjusted net earnings, average realized price per ounce of gold sold, cash margin from mine operations, operating cash flow before the repayment of Gold Notes, total cash cost per ounce of gold sold, and mine‐site cost per tonne milled are non‐GAAP measures, which do not have standardized meanings prescribed by GAAP and are not necessarily comparable to other similarly titled measures of other companies due to potential inconsistencies in the method of calculation. The Company discloses these measures, which are based on its financial statements, to assist in the understanding of the Company's operating results and financial position. The Company believes that, in addition to conventional measures, prepared in accordance with GAAP, certain investors use this information to evaluate the Company's performance and ability to generate cash flow. Please refer to page 10 of this press release for a reconciliation of adjusted earnings or loss to the reported income (loss) for the three months and nine months ended September 30, 2010, and 2009 and non-GAAP measurement on operating cash flow before the repayment of Gold Notes. Please refer to pages 16‐17 of the Company's 2010 Third Quarter Management Discussion & Analysis for a reconciliation of the non‐GAAP measurements on realized price per ounce of gold sold and cash margins from mine operations, total cash cost per ounce of gold sold and mine‐site cost per tonne milled to reported production costs per the consolidated financial statements.

To review the complete Consolidated Financial Statements for the nine months ended September 30, 2010, and the 2010 Third Quarter Management's Discussion and Analysis, please see SAS' SEDAR filings at www.sedar.com or on the Company's website at www.sasgoldmines.com.

Consolidated Financial Statements for the nine months ended September 30, 2010, follow at the end of this release.

Qualified Persons

Production at the Holloway Mine, processing at the Holt Mill, and mine development and production activities at the Hislop Mine are being conducted under the supervision of Duncan Middlemiss, P.Eng, the Company's Vice President & General Manager, East Timmins Operations. The exploration programs on the Company's various mineral properties are under the supervision of Michael Michaud, P.Geo., the Company's Vice President of Exploration. Mr. Middlemiss and Mr. Michaud are SAS' qualified persons as defined by NI 43‐101, and both have reviewed and approved this news release.

About SAS

SAS (operating as "SAS Goldmines"), is a gold mining and exploration company with an extensive land package in the Timmins mining district, northeastern Ontario, which lies within the Abitibi greenstone belt, the most important host of historical gold production in Canada. SAS is focussed on developing its assets in the Timmins Camp which includes current and near‐term gold production, and exploration activities.

FORWARD-LOOKING INFORMATION

This news release contains forward‐looking information and forward‐looking statements (collectively, "forward‐looking information") under applicable securities laws, concerning the Company's business, operations, financial performance, condition and prospects, as well as management's objectives, strategies, beliefs and intentions. Forward‐looking information is frequently identified by such words as "may", "will", "plan", "expect", "estimate", "anticipate", "believe", "intend" and similar words referring to future events and results. Specifically this news release contains forward‐looking information regarding the Company's gold production levels at the Holloway Mine and the Hislop Mine during 2010; improvements in ore grade at the Hislop Mine and the effect on production costs; the capital expenditures and timing to construct the ramp access to and to develop the Smoke Deep Zone at the

Holloway Mine; the development and restart of the Holt Mine into a producing mine, the timing and costs thereof, the level of gold production in the fourth quarter of 2010 and the anticipated employment levels at the Holt Mine. This forward‐looking information is subject to known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those expressed or implied by the forward‐looking information. Factors that may cause actual results to vary materially include, but are not limited to, uncertainties relating to the interpretation of the geology, continuity, grade and size estimates of the mineral reserves and resources, unanticipated operational or technical difficulties which could escalate operating and/or capital costs and reduce anticipated production levels, difficulties in attracting and retaining sufficient skilled personnel, fluctuations in gold prices and exchange rates, insufficient funding or delays or inability to raise additional financing as required on satisfactory terms, changes in laws or regulations, the risks of obtaining necessary licenses and permits, changes in general economic conditions, changes in conditions in the financial markets and an adverse Appeal Court decision on the Holt Royalty. Such forward looking information is based on a number of assumptions, including but not limited to the expected timeline to complete pre‐production activities, the availability of adequate financing, the level and volatility of the price of gold, the accuracy of reserve and resource estimates and the assumptions on which such estimates are based, the ability to achieve capital and operating cost estimates, the sufficiency of the Company's cash flows and reserves to achieve its 2010 objectives, the ability to attract and maintain adequate skilled personnel to operate its mines and to conduct its exploration programs, a favourable Appeal Court decision on the Holt Royalty and no significant decline in general business and economic conditions. Should one or more risks and uncertainties materialize or should any assumptions prove incorrect, then actual results could vary materially from those expressed or implied in the forward‐looking information and accordingly, readers are cautioned not to place undue reliance on this forward‐looking information. SAS does not assume the obligation to revise or update this forward‐looking information after the date of this release or to revise such information to reflect the occurrence of future unanticipated events, except as may be required under applicable securities laws.

CONSOLIDATED OPERATING RESULTS (1)

Three months ended Nine months ended
September 30, 2010 June 30, 2010 September 30, 2009(2) September 30, 2010 September 30, 2009(2)

Gold produced (ounces)
Holloway Mine 14,230 16,231 - 46,390 -
Hislop Mine 4,682 1,962 - 6,756 -
18,912 18,193 53,146

Gold sold (4)(5) (ounces)
Holloway Mine 16,004 14,819 - 48,753 -
Hislop Mine 3,756 1,578 - 5,334 -
19,760 16,397 - 54,087 -

Average realized gold price per ounce (US$)(3) US$1,232 US$1,200 N/A US$1,186 N/A

Total cash cost per ounce sold (US$)(3)(6) US$662 US$ 551 N/A US$584 N/A

Breakdown of total cash cost per ounce (US dollars)
Holloway Mine US$539 US$551 N/A US$538 N/A
Hislop Mine 1,184 - 1,189
US$662 US$551 N/A US$584 N/A

Notes:
(1) The Company's consolidated operating results for the three months and nine months ended September 30, 2010, includes mining operations at the Holloway Mine and the Hislop Mine. The Company commenced pre-production activities at the Holloway Mine in the second quarter of 2009, and put the mine into production in the fourth quarter of 2009. In February 2010, the Company began mine development and pre-production activities at the Hislop Mine, which were completed at the end of the second quarter, and the mine was put into production during the third quarter of 2010.

(2) The net operating cost and expenses of the Holloway Mine for the three months and the nine months ended September 30, 2009, is classified as mine pre-production and site maintenance expenses. During the first quarter of 2009, the Company mined 2,019 tonnes of development ore at the Holloway Mine while the mine was under care and maintenance. The operating results for the Hislop Mine for the financial periods prior to June 30, 2010, are classified as mine pre-production and site maintenance and/or exploration

expenses where appropriate.

(3) Average realized price per ounce of gold sold, cash margin from mine operations, total cash cost per ounce of gold sold, and mine-site cost per tonne milled are non-GAAP measures and are not necessarily comparable to similarly titled measures of other companies due to potential inconsistencies in the method of calculation (see pages 16-17 of the Company's Third Quarter Management Discussions and Analysis for a reconciliation of non-GAAP measurements).

(4) Includes 1,860 ounces of gold delivered to the Gold Note holders in September 2010, and 2,430 ounces of gold delivered in June 2010, and March 2010, respectively. Gold sales for the Hislop Mine for the nine months ended September 30, 2010, include 1,578 ounces of gold sold during the pre-production period for $2,033 and are accounted for as a reduction to mine pre-production expenses.

(5) Includes 67 ounces of gold recovered from the sale of carbon material.

(6) During the second quarter of 2010, the Company recorded an accrual of royalty expenses in the amount of $207 relating to gold production from the Holloway Mine for the period from October 1, 2009, to March 31, 2010. This amount has been allocated to the relevant periods for the calculation of total cash cost per ounce of gold sold, on a non-GAAP basis (see pages 16-17 of the Company's Third Quarter Management Discussions and Analysis for a reconciliation of non-GAAP measurements).

OPERATING PERFORMANCE - HOLLOWAY MINE

Amounts in thousands of Canadian dollars,
or otherwise indicated Three months ended
September 30, 2010 June 30, 2010 (1) March 31, 2010 (1)

HOLLOWAY MINE
Tonnes mined(5) 88,369 85,673 84,824

Tonnes milled 87,162 84,930 85,842
Head grade (g/t Au) 5.99 6.78 6.50
Average mill recovery 84.7% 87.7% 88.8%

Gold produced (ounces) (2) 14,230 16,231 15,929
Gold sold (3) (ounces) 16,004 14,819 17,930

Gold sales $20,385 $18,484 $20,756

Cash margin from mine operations (4) $11,420 $9,888 $11,066

Mine-site cost per tonne milled (4) $73 $95 $97

Total production per ounce of gold sold (US dollars) (5):
Mine-site costs $382 $532 $448
Inventory adjustments 60 (65) 16
Production royalties 97 84 61
Total cash cost 539 551 525
Non-cash costs:
Depreciation and depletion 89 47 26
Accretion of reclamation liability 2 2 2
Total production cost $630 $600 $553

Average CAD:USD exchange rate 1.04 1.03 1.04

Capital expenditures $1,742 $628 $315

Notes:
(1) During the second quarter of 2010, the Company recorded an accrual of royalty expenses in the amount of $207 relating to gold production from the Holloway Mine for the period from October 1, 2009, to March 31, 2010. This amount has been allocated to the relevant periods for the calculation of total cash cost per ounce of gold sold (see pages 16-17 of the Company's Third Quarter Management Discussions and Analysis for a reconciliation of non-GAAP measurements).

(2) Excludes 67 ounces of gold recovered from the sale of carbon material.

(3) Includes 1,860 ounces of gold delivered to the Gold Note holders in September 2010, and 2,430 ounces of gold delivered in June 2010, and March 2010, respectively.

(4) Cash margin from mine operations, total cash cost per ounce of gold sold, and mine-site cost per tonne milled are non-GAAP measures and are not necessarily comparable to similarly titled measures of other companies due to potential inconsistencies in the method of calculation (see pages 16-17 of the Company's Third Quarter Management Discussions and Analysis for a reconciliation of non-GAAP measurements).

(5) For the third quarter, the Company began to report "dry" tonnes mined as opposed to "wet" tonnes" (ore that still contained moisture prior to processing). Previously reported balances have been restated.

OPERATING PERFORMANCE - HISLOP MINE

Amounts in thousands of Canadian dollars,
except otherwise indicated
Three months ended
September 30, 2010 June 30, 2010 (1) March 31, 2010 (1)

Over burden stripped (m3) 222,883 147,182 144,745

Tonnes mined (ore) (5) 107,461 82,827 1,911
(waste) 607,381 363,444 43,821
714,842 446,271 45,732

Waste-to-ore ratio 5.6 4.4 22.9

Tonnes milled 110,587 54,051 1,879
Head grade (g/t Au) 1.51 1.35 2.25
Average mill recovery 87.5% 84.0% 83.4%

Gold produced (ounces) 4,682 1,962 113
Gold sold (ounces) 3,756 1,578 -

Gold sales (2) $4,799 N/A N/A

Cash margin from mine operations (3) $176 $- $-

Mine-site cost per tonne milled (3) $49 N/A N/A

Total production per ounce sold (US dollars) (3):
Mine-site costs $1,376 N/A N/A
Inventory adjustments (262)
Production royalties 70
Total cash cost $1,184
Non-cash costs:
Depreciation and depletion 25
Accretion of reclamation liability 3
Total production cost $1,212 N/A N/A
Average CAD:USD exchange rate 1.04 1.03 1.04
Capital expenditures (4) $900 $2,155 $1,135

Notes:
(1) During the first six months of 2010 the Hislop Mine was in pre-production which was completed at the end of the second quarter, and production commenced in the third quarter of 2010. The operating results of the Hislop Mine for the six months ended June 30, 2010, were classified as site maintenance, pre-production and mine development expenditures.

(2) During the first six months of 2010, the Hislop Mine was in pre-production and sold 1,578 ounces of gold for $2,033. These incidental gold sales were recorded as a component of pre-production expenditures accordingly.

(3) Cash margin from mine operations, total cash cost per ounce of gold sold, and mine-site cost per tonne milled are non-GAAP measures and are not necessarily comparable to similarly titled measures of other companies due to potential inconsistencies in the method of calculation (see pages 16-17 of the Company's Third Quarter Management Discussions and Analysis for a reconciliation of non-GAAP measurements).

(4) Includes deferred stripping costs of $659 for the three months ended September 30, 2010.

(5) For the third quarter, the Company began to report "dry" tonnes mined as opposed to "wet" tonnes" (ore that still contained moisture prior to processing). Previously reported balances have been restated.

NON- GAAP MEASURES - ADJUSTED NET EARNINGS (LOSS)

Adjusted net earnings (loss) is calculated by removing the gains and losses, net of income tax, resulting from the mark-to-market revaluation of the Company's gold-linked liabilities and foreign currency price protection contracts, and one-time gains or losses on the disposition of non-core assets and expenses, as detailed in the table below. Adjusted net earnings (loss) does not constitute a measure recognized by GAAP and does not have a standardized meaning defined by GAAP and may not be comparable to information in other gold producers' reports and filings. The Company discloses this measure, which is based on its financial statements, to assist in the understanding of the Company's operating results and financial position.

Amounts in thousands of Canadian dollars, except per share amounts
Three months ended
September 30, Nine months ended
September 30,
2010 2009 2010 2009

Net income (loss) per consolidated financial statements $6,323 $(7,166) $7,648 $(22,435)

Change in fair value of gold delivery commitment and embedded derivative instruments associated with the Gold Notes (183) (242) 3,709 (646)
Change in fair value of gold delivery commitment associated with the advance royalty payment 211 129 781 508
Change in fair value of derivative foreign exchange contracts (1,358) (493) (531) (434)
Write down of mining assets - 339 263 339
Secured debenture participation fee - - 756 -
Transaction costs - 20 - 1,009
Net loss on disposal of non-core assets - - - 641
Total adjusted net earnings (loss) $4,993 $(7,413) $12,626 $(21,018)

Weighted average number of shares outstanding (in thousands)
Basic 352,015 324,384 333,985 324,185
Diluted 359,669 324,669 340,223 324,385

Adjusted net earnings (loss) per share
Basic and fully-diluted $0.01 $(0.02) $0.04 $(0.06)

NON- GAAP MEASURES -OPERATING CASH FLOW BEFORE THE REPAYMENT OF GOLD NOTES

The Company uses the financial measure "Operating cash flow before the repayment of Gold Notes" to supplement the information included in its consolidated financial statements. The presentation of operating cash flow before the repayment of Gold Notes is a non-GAAP measure and is not meant to be a substitute for cash flow from operations or cash flow from operating activities presented in accordance with GAAP, but rather should be evaluated in conjunction with such GAAP measures. Operating cash flow before the repayment of Gold Notes excludes the non-cash value of gold delivered to the Company's Gold Note holders during each financial reporting period (see page 5 of the Company's Third Quarter Management Discussions and Analysis for a reconciliation of non-GAAP measurement to cash flow from operating activities).

Interim Consolidated Statements of Operations (unaudited)
Expressed in thousands of Canadian dollars except per share information or otherwise indicated

Three Months Ended
September 30, Nine Months Ended
September 30,
2010 2009 2010 2009
Revenues:
Gold sales $ 25,184 $ - $ 64,424 $ -
Custom milling revenues - 1,721 - 1,721
25,184 1,721 64,424 1,721

Operating costs and expenses:
Production 13,588 - 31,874 -
Holt Mill operating - 513 - 513
Site maintenance, pre-production, and mine development 146 3,730 1,914 9,992
Exploration 1,765 986 4,735 3,285
Corporate administration 1,525 1,201 5,250 3,406
Accretion of reclamation liability 214 188 644 563
Depreciation and depletion 1,874 619 3,149 1,280
Write-down of mining assets - 339 263 339
19,112 7,576 47,829 19,378
Operating income (loss) 6,072 (5,855) 16,595 (17,657)

Interest expense (1,276) (1,867) (5,921) (3,875)
Transaction cost - (20) - (1,009)
Loss on disposal of non-core assets - - - (641)
Other income (expense) 1,527 576 (3,026) (397)
Income (loss) from continuing operations before income taxes 6,323 (7,166) 7,648 (23,579)
Future income tax recovery - - - (830)
Income (loss) from continuing operations 6,323 (7,166) 7,648 (22,749)
Discontinued operation (net of gain on disposal of $461) - - - 314
Net income (loss) for the period $ 6,323 $ (7,166) $ 7,648 $ (22,435)

Other comprehensive income (loss)
Unrealized gain on available for sale investments 50 110 35 158
Comprehensive income (loss) for the period $ 6,373 $ (7,056) $ 7,683 $ (22,277)

Basic and diluted income (loss) per share $ 0.02 $ (0.02) $ 0.02 $ (0.07)

Weighted average number of shares outstanding (in thousands)
Basic 352,015 324,384 333,985 324,185
Diluted 359,669 324,669 340,223 324,385

Consolidated Statements of Cash Flows (unaudited)
Expressed in thousands of Canadian dollars

Three Months Ended
September 30, Nine Months Ended
September 30,
2010 2009 2010 2009
Cash provided by (used in):

Operating activities:
Income (loss) from continuing operations for the period 6,323 (7,166) 7,648 (22,749)
Items not affecting cash:
Future income taxes - - - (830)
Net change in fair value of secured gold notes and advance minimum royalty payment obligation 28 (114) 4,490 (138)
Implicit interest on secured gold notes and advance minimum royalty payment obligation 1,152 1,628 4,554 3,184
Repayment of secured gold notes (2,468) - (8,450) -
Depreciation and depletion 1,874 619 3,149 1,280
Write-down of mining assets - 339 263 339
Gain on disposal of non-core assets and discontinued operation - - - 180
Stock-based compensation expense 343 223 958 699
Warrants issued pursuant to debt extension - - - 186
Change in fair value of derivative foreign exchange contracts (1,358) (493) (531) (186)
Accretion of reclamation liability 214 188 644 563
Change in non-cash operating working capital and other (4,334) (467) (4,568) (81)
Discontinued operation - - - 188
1,774 (5,243) 8,157 (17,365)
Financing activities:
Common shares and share purchase warrrants issued 29,243 - 32,173 -
Share issue costs (1,704) - (1,704) (4)
Share purchase plan contributions - 63 203 88
Repayment of secured debentures (7,555) - (7,555) (445)

Issuance of secured gold notes - - - 19,832
Royalty financing - - - 4,663
Advance minimum royalty payments $ (376) $ - $ (961) $ -
Capital lease obligations (21) (25) (71) (67)
$ 19,587 $ 38 $ 22,085 $ 24,067
Investing activities:
Additions to property, plant and equipment $ (5,041) $ (2,324) $ (10,685) $ (2,627)
Proceeds from sale of non-core assets - 225 75 4,977
Cash collateralized for banking facilities $ - $ - $ (1,322.00) $ -
Discontinued operation 0 0 0 (6)
(5,041) (2,099) (11,932) 2,344
Increase (decrease) in cash and cash equivalents for the period 16,320 (7,304) 18,310 9,046
Cash and cash equivalents, beginning of period 17,634 20,430 15,644 4,080
Cash and cash equivalents, end of period $ 33,954 $ 13,126 $ 33,954 $ 13,126

Consolidated Balance Sheets
Expressed in thousands of Canadian dollars

September 30, 2010 December 31, 2009
Unaudited
Assets
Current assets:
Cash and cash equivalents $ 33,954 $ 15,644
Accounts and settlements receivable 6,308 451
Inventories 6,591 4,098
Fair value of derivative contracts 1,159 628
Prepayments and other assets 2,597 1,360
50,609 22,181

Property, plant and equipment 84,218 77,346
Reclamation deposits 8,439 8,439
Restricted cash 2,584 1,259
Other assets 502 297
$ 146,352 $ 109,522

Liabilities and Shareholders' Equity
Current liabilities:
Accounts payable and accrued liabilities $ 9,158 $ 5,363
Employee-related liabilities 1,843 1,330
Current portion of long-term debt 10,028 18,169
Current portion of capital lease obligations 34 90
21,063 24,952

Long-term debt 15,556 20,736
Capital lease obligations 6 21
Asset retirement obligations 9,457 8,813
46,082 54,522

Shareholders' equity:
Share capital 216,249 178,203
Contributed surplus 42,678 42,385
Warrants 1,026 361
Stock options 4,778 4,345
Deficit (164,376) (170,174)
Accumulated other comprehensive loss (85) (120)
100,270 55,000
$ 146,352 $ 109,522

For further information:

Tel: 1-800-463-5139 or (416) 815-9855; Fax: (416) 815-9437; Website: www.sasgoldmines.com

Suzette N Ramcharan
Manager, Investor Relations

Email: sramcharan@sasgoldmines.com

Jacques Perron
President & CEO
Email: jperron@sasgoldmines.com

Ben Au
CFO, VP Finance & Administration
Email:bau@sasgoldmines.com