

Wesdome reports second quarter results

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TORONTO, Aug. 15, 2011 /CNW/ - Wesdome Gold Mines Ltd (WDO: TSX)

('Wesdome' or the 'Company') is pleased to report its unaudited financial and operating results from its Canadian operations for the second quarter ended June 30, 2011. This information should be read in conjunction with the Company's interim unaudited financial statements and Management's Discussion and Analysis for the second quarter ended June 30, 2011 which will be available for viewing on the Company's website at www.wesdome.com and on SEDAR (www.sedar.com). All figures are in Canadian dollars unless otherwise specified.

The Company owns and operates the Eagle River gold mining operations in Wawa, Ontario and the Kiena mine complex in Val d'Or, Quebec. It is developing the Mishi project in Wawa and the Dubuisson project in Val d'Or. The Eagle River mine commenced commercial production January 1, 1996 and the Kiena mine on August 1, 2006.

The second quarter of 2011 highlights are as follows:

- Production of 10,459 ounces
- Loss of \$1.1 million or \$0.01 per share
- Revenues of \$19.2 million on sales of 13,000 ounces at \$1,475 per ounce
- Cash flow from operations of \$1.4 million or \$0.01 per share
- Bullion inventory of 7,594 ounces or \$11.0 million marked to market as at June 30, 2011

Donovan Pollitt, President & CEO comments 'This quarter marks the low tide mark from which an extended period of growth will ensue'.

OVERALL PERFORMANCE

At June 30, 2011, the Company had \$15.9 million in working capital and 7,594 ounces of refined gold bullion in inventory. For the first half of the year, revenue exceeded mining and processing costs by \$10.9 million and \$8.7 million in capital costs were incurred. Cash flow from operations totalled \$8.8 million and net income was \$1.4 million, or \$0.01 per share.

Both mining operations processed greater volumes of lower grade ore

compared to last years' first half. The cost per tonne milled declined to \$140 per tonne, while the realized gold price increased 19% to \$1,424 per ounce. The operating cost per ounce increased to \$1,064 per ounce due to lower ore grades during the first half, 2011.

External factors which influenced results in this quarter included unfavourable strength of the \$Cdn/\$US exchange rate, continued tightness in the skilled labour market and inflating energy and consumables costs.

More ounces of gold were sold than were produced. Favourable gold prices enabled us to realize a reasonable financial performance during a transitional period of weak production and increased development. We expect this to be our weakest quarter as higher grade ore progressively comes into the mining sequence.

RESULTS OF OPERATIONS

	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
Eagle River Mine				
Tonnes milled	43,316	39,271	86,943	73,387
Recovered grade (g/t)	3.9	6.5	4.7	7.7
Production (oz)	5,479	8,189	13,266	18,088
Sales (oz)	7,000	10,000	16,000	22,000
Bullion inventory (oz)	6,059	8,169	6,059	8,169
Bullion revenue (\$000)	10,350	12,445	22,831	26,302
Mining and processing costs (\$000)	7,572	9,608	13,374	17,443
Mine operating profit (\$000) *	2,778	2,837	9,457	8,859
Gold price realized (\$Cdn/oz)	1,476	1,244	1,425	1,195
Kiena Mine Complex				
Tonnes milled	70,505	68,072	141,502	133,732
Recovered grade (g/t)	2.2	3.5	2.5	3.3
Production (oz)	4,980	7,683	11,422	14,143

Sales (oz)	6,000	8,000	14,000	13,000
Bullion inventory (oz)	1,535	3,094	1,535	3,094
Bullion revenue (\$000)	8,870	9,971	19,983	15,691
Mining and processing costs (\$000)	9,654	7,554	18,536	12,816
Mine operating profit (loss) (\$000) *	(784)	2,417	1,447	2,875
Gold price realized (\$Cdn/oz)	1,474	1,244	1,423	1,204
Total				
Production (oz)	10,459	15,872	24,688	32,231
Sales (oz)	13,000	18,000	30,000	35,000
Bullion inventory (oz)	7,594	11,263	7,594	11,263
Bullion revenue (\$000)	19,220	22,416	42,814	41,993
Mining and processing costs (\$000)	17,226	17,162	31,910	30,259
Mine operating profit (\$000) *	1,994	5,254	10,904	11,734

Gold price realized (\$Cdn/oz)	1,475	1,244	1,424	1,198
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*) The Company has included in this report certain non-IFRS performance measures, including mine operating profit and mining and processing costs to applicable sales. These measures are not defined under IFRS and therefore should not be considered in isolation or as an alternative to or more meaningful than, net income(loss) or cash flow from operating activities as determined in accordance with IFRS as an indicator of our financial performance or liquidity. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance and ability to generate cash flow.

Summary of Quarterly Results

(in thousands except per share data)	2011		2010 (IFRS)	
	2(nd) Quarter	1(st) Quarter	4(th) Quarter	3(rd) Quarter
Total revenue	\$ 19,220	\$ 23,594	\$ 26,634	\$ 20,756
Net income (loss)	(1,094)	2,454	3,380	(118)
Earnings (loss) per share				
basic and diluted	(0.01)	0.02	0.03	(0.00)

	2010 (IFRS)		2009 (GAAP)	
	2(nd) Quarter	1(st) Quarter	4(th) Quarter	3(rd) Quarter
Total revenue	\$ 22,416	\$ 19,577	\$ 28,218	\$ 21,489
Net income	291	1,718	13,162	3,610
Earnings per share				
basic and diluted	0.00	0.02	0.12	0.04

Second Quarter

During the second quarter, combined operations produced 10,459 ounces of gold and 13,000 ounces were sold at an average price of \$1,475 per ounce. Bullion inventory at June 30, 2011, stood at 7,594 ounces which is carried at net realizable value. In accordance with Company policy, bullion inventory is carried at the lower of production cost, or net realizable value.

Gold sales exceeded mining and processing costs resulting in a mine operating profit*, or gross margin, of \$2.0 million. In addition to these mining and processing costs, other costs, including royalty payments, corporate and general costs and net interest costs totalled \$1.28 million. An additional \$2.0 million was paid in dividends.

At Eagle River, mining focused on low grade stopes and salvage work while the new decline advanced towards the high grade 811 Zone. The new decline has now arrived at the 811 Zone and we are opening it up on the 670 metre level. This is providing some higher grade development

ore. Since breaking into the zone in June, year-to-date development muck has averaged 8.35 gAu/tonne. A larger volume of lower grade ore, including stockpiles, was processed. During the second quarter, the mine produced 5,479 ounces of gold from 43,316 tonnes milled at an average recovered grade of 3.9 gAu/tonne. We expect grades and production to pick up in the second half of the year.

At Kiena, difficult mining conditions in two small stopes dampened second quarter production, as previously disclosed. The mine produced 4,980 ounces of gold from 70,505 tonnes milled at an average recovered grade of 2.2 gAu/tonne.

The mine schedule at Kiena was relying on two small stopes for production in a transitional period, while larger stopes were being developed. Both of these stopes experienced excessive dilution and loss of ore due to poor ground conditions.

Development of our larger stopes remains behind schedule, but we are confident that we will catch up and increase production in the second half of the year.

Both mining operations are in major development phases to access and develop the next generation of production areas. These efforts will result in a growing production profile from 2012 onwards. We believe the second quarter was our worst and we will see continual improvement during the balance of the year.

Project Development

The Mishi project is being developed for an initial 5-year plan. This surface mining operation is located 2.0 kilometres from the Eagle River Mill and is expected to produce at about 1,000 ounces per month over this period. There is significant potential to increase this projected mine life. The results of drilling the immediate extensions of the deposit are expected in the third quarter. We received our closure plan amendment (the outstanding permit) and are rapidly advancing pre-production activities. De-watering has advanced, surface construction and overburden removal is advancing and drill-blast contractors are preparing to mobilize. We expect to generate initial millfeed late this year and ramp up to rates of about 1,000 ounces per month by mid-2012.

The exploration drift to the Dubuisson project in Val d'Or continued. We have mobilized a drill to test depth and western extensions. Access to the zone will be planned from the drilling information.

Exploration

Exploration work is focused on delineating known mineralization in proximity to existing infrastructure. At Eagle River we will be in position to start drilling the depth extension of the 811 Zone to over

1,000 metres in the fourth quarter.

At Kiena, seasonal surface drilling from a barge on Lac De Montigny will take place from mid-June until freeze-up. We are targeting the Northwest and Martin Zones which are in range of existing infrastructure. Underground definition drilling at the Martin Zone, above the 330 metre level, was very favourable and provided the basis for mine planning. The zone remains open up-dip and surface drilling is testing this potential.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2011, the Company had working capital of \$15.9 million, compared to \$28.8 million at December 31, 2010. For the first six months of 2011, capital expenditures totalled \$8.7 million compared to \$8.9 million for 2010 and \$2.0 million was paid in dividends. Also, during the second quarter the convertible 7% debentures due May 31, 2012, in the amount of \$10.4 million became a current liability. The Company believes the debentures will either be converted into common shares or renewed at a favourable rate of interest.

The Company's inventory includes 7,594 ounces of gold bullion, a liquid asset with a market value of \$11.0 million on June 30, 2011. The Company believes it has sufficient capital resources to cover its obligations, capital and mining and processing costs going forward.

Production planned in 2011 should generate operating cash flow, even at gold prices well below those currently being realized.

OUTLOOK

Despite a challenging second quarter, our production forecast remains 60,000 to 65,000 ounces for the year. We have received the final Mishi permits and expect initial millfeed prior to year end. We have weathered the worst of unforeseen mining conditions and a tight mining/development sequence at Kiena. We have accelerated development of the 388 Zone at Kiena - a new mining area with better grade, which should commence production in the second half, 2011. We also foresee renewing production from the high grade Schist Zone - a nice grade sweetener for the second half. Likewise, grade is scheduled to improve at Eagle River.

We expect this past quarter to be our weakest and forecast steady improvement going forward. We are in a transitional development period on track to establish a production growth profile from 2012 onwards. We forecast higher grades, growing production and rising gold prices.

ABOUT WESDOME

Wesdome is an established Canadian gold producer with wholly-owned mining and milling complexes located in Wawa, Ontario and Val d'Or, Québec. Wesdome has been producing gold continually for more than 20 years on an unhedged basis and to date has produced in excess of 1.2 million ounces. The Company has 101.9 million shares issued and outstanding and trades on the Toronto Stock Exchange under the symbol 'WDO'.

This news release contains 'forward-looking information' which may include, but is not limited to, statements with respect to the future financial or operating performance of the Company and its projects. Often, but not always, forward-looking statements can be identified by the use of words such as 'plans', 'expects', 'is expected', 'budget', 'scheduled', 'estimates', 'forecasts', 'intends', 'anticipates', or 'believes' or variations (including negative variations) of such words and phrases, or state that certain actions, events or results 'may', 'could', 'would', 'might' or 'will' be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements contained herein are made as of the date of this press release and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company undertakes no obligation to update forward-looking statements if circumstances, management's estimates or opinions should change, except as required by securities legislation. Accordingly, the reader is cautioned not to place undue reliance on forward-looking statements.

Wesdome Gold Mines Ltd.

Condensed Interim Consolidated Statement of Financial Position

(Unaudited, expressed in thousands of Canadian dollars)

	June 30	December 31
	2011	2010
Assets		
Current		
Cash and cash equivalents	\$ 15,936	\$ 22,806
Receivables	6,426	7,442
Inventory	14,245	14,077
	36,607	44,325
Restricted funds	2,465	2,420

Deferred income taxes	367	1,780
Mining properties and equipment	82,930	77,687
Exploration properties	30,790	30,762
	\$ 153,159	\$ 156,974
Liabilities		
Current		
Payables and accruals	\$ 7,850	\$ 12,938
Mining taxes	1,371	1,317
Current portion of obligations under finance leases	1,094	1,262
Convertible 7% debentures	10,397	-
	20,712	15,517
Income taxes payable	58	58
Obligations under finance leases	1,171	1,735
Convertible 7% debentures	-	10,072
Provisions	1,704	1,574
	23,645	28,956
Equity		
Equity attributable to owners of the parent		
Capital stock	122,258	120,220
Contributed surplus	4,292	4,235
Equity component of convertible debentures	1,970	1,970
Retained earnings	306	853
	128,826	127,278
Non-controlling interest	688	740
Total equity	129,514	128,018
	\$ 153,159	\$ 156,974

Wesdome Gold Mines
Ltd.

Condensed Interim Consolidated Statements of Income and Comprehensive
Income

(Unaudited, expressed in thousands of Canadian dollars)

	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
Revenue				
Gold and silver bullion	\$ 19,220	\$ 22,416	\$ 42,814	\$ 41,993
Operating expenses				
Mining and processing	17,226	17,161	31,910	30,259
Depletion of mining properties	1,604	3,038	3,472	5,295
Production royalties	159	202	369	425
Corporate and general	820	578	1,548	1,276
Share based compensation	349	58	566	165
Amortization of capital assets	-	8	-	9
	20,158	21,045	37,865	37,429
Income (loss) from operations	(938)	1,371	4,949	4,564
Interest and other income	108	53	211	87
Interest on long term debt	(401)	(418)	(790)	(789)
Other interest	(8)	-	(1,190)	-
Gain on sale of marketable securities	-	(153)	-	(153)
Accretion of decommissioning liability	(17)	(16)	(32)	(27)
Income (loss) before income	(1,256)	837	3,148	3,682

tax

Income tax

Current	68	227	375	460
Deferred	(230)	319	1,413	1,213
	(162)	546	1,788	1,673
Net income (loss)	(1,094)	291	1,360	2,009

Other comprehensive income:

Change in fair value of available-for-sale marketable securities	-	-	-	(40)
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Total comprehensive income (loss)	\$ (1,094)	\$ 291	\$ 1,360	\$ 1,969
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Profit (loss) attributable to:

Non-controlling interest	\$ (80)	\$ (11)	\$ (123)	\$ (26)
Owners of the Company	(1,014)	302	1,483	2,035
	\$ (1,094)	\$ 291	\$ 1,360	\$ 2,009

Total comprehensive income (loss) attributable to:

Non-controlling interest	\$ (80)	\$ (11)	\$ (123)	\$ (26)
Owners of the Company	(1,014)	302	1,483	1,995
	\$ (1,094)	\$ 291	\$ 1,360	\$ 1,969

Earnings and comprehensive earnings per share

Basic	\$ (0.01)	\$ 0.00	\$ 0.01	\$ 0.02
Diluted	\$ (0.01)	\$ 0.00	\$ 0.01	\$ 0.02

Wesdome Gold Mines Ltd.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited, expressed in thousands of Canadian dollars)

Six months ended June 30	2011	2010
Operating activities		
Net income	\$ 1,360	\$ 2,009
Depletion of mining properties	3,472	5,295
Accretion of discount on convertible debentures	325	282
Gain on sale of equipment	(45)	-
Interest paid	1,654	504
Share based compensation	566	165
Amortization of capital assets	-	9
Deferred income taxes	1,413	1,213
Gain on sale of marketable securities	-	153
Accretion of decommissioning liability	32	27
	8,777	9,657
Net changes in non-cash working capital	(2,926)	(1,249)
	5,851	8,408
Financing activities		
Exercise of options	1,447	582
Shares issued by a subsidiary of the company to third parties	160	-
Interest paid	(1,654)	(504)
Funds paid to repurchase common shares under NCIB	(4)	-
Share issuance costs	-	(27)
Repayment of obligations under capital leases	(732)	(763)
Dividends paid	(2,028)	(2,013)
	(2,811)	(2,725)
Investing activities		
Additions to mining and exploration properties	(8,716)	(9,022)
Proceeds on option to sell property	-	33

Proceeds on sale of equipment	111	235
Funds held against standby letters of credit	(45)	88
	(8,650)	(8,666)
Net changes in non-cash working capital	(1,260)	(8)
	(9,910)	(8,674)
Decrease in cash and cash equivalents	(6,870)	(2,991)
Cash and cash equivalents, beginning of period	22,806	23,702
Cash and cash equivalents, end of period	\$ 15,936	\$ 20,711

Cash and cash equivalents consist of:

Cash	\$ 11,010	\$ 15,700
Term deposit (1.0%, 2010: 0.73%)	4,926	5,011
	\$ 15,936	\$ 20,711

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