

# Farallon Announces Third Quarter Financial and Operating Results

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VANCOUVER, Nov. 15 /CNW/ - [Farallon Mining Ltd.](#) ("Farallon" or the "Company") (TSX: FAN) announces its financial and operating results for the three months ended September 30, 2010. Currency amounts are stated in United States Dollars, unless otherwise noted. This news release should be read in conjunction with the Company's financial statements and MD&A which are available on SEDAR and the Company's website.

The Company's G-9 mine produced 18.9 million pounds of zinc and 2.0 million pounds of copper in concentrates at a total cash cost<sup>1</sup> of \$0.35/lb of payable zinc, generating operating earnings of \$5.1 million and \$1.6 million in cash from operations before changes in non-cash working capital.

A summary of the results for the three months ended September 30, 2010 ("Q3") compared to the three months ended June 30, 2010 ("Q2") are as follows:

## Financial

- Operating earnings of \$5.1 million and net income of \$1.0 million, down from operating earnings of \$11.3 million and net income of \$2 million in Q2 as a result of a planned slow down of ore production to 1,500 tpd from 1,815 tpd in Q2.
- Cash flow from operations before changes in non-cash working capital of \$1.6 million, down from \$6.6 million in Q2.
- Gross revenues of \$28.5 million, down from \$39.1 million in Q2.
- Non-GAAP Adjusted EBITDA<sup>1</sup> of \$4.5 million, down from \$11.4 million in Q2.
- Working capital of \$21.8 million at September 30, 2010, down from \$24.4 million at June 30, 2010.

## Operations

- Mined 139,447 tonnes of ore (average 1,516 tpd), in line with a previously stated target of 1,500 tpd.
- Processed 132,529 tonnes of ore (average throughput 1,441 tonnes per day "tpd") grading 7.8% zinc, 0.94% copper, 118 g/t silver and 1.6 g/t gold.
- Produced 17,985 tonnes of zinc concentrate and 6,783 tonnes of copper concentrate, containing an estimated 18.9 million pounds of zinc, 2.0 million pounds of copper, 311,638 ounces of silver and 2,926 ounces of gold from the G-9 mine.
- Recovered 83% zinc, 74% copper, 62% silver and 43% gold from ore into zinc and copper concentrates.
- Sold approximately 20,489 tonnes of zinc concentrate grading 47% zinc and 6,604 tonnes of copper concentrate grading 13% copper. Payable metals contained in concentrate were 17.6 million pounds of zinc, 1.7 million pounds of copper, 254,008 ounces of silver and 2,284 ounces of gold.

## Metal Prices

- Realized sales prices for zinc and copper were of \$0.96/lb and \$3.52/lb, respectively, up from Q2 realized prices of \$0.89/lb zinc and \$3.11/lb copper.

## Management Changes

The Company announced the departure of Mr. Kerry Barker as the General Manager of G-9, and has

appointed the G9 Administration Manager, Oscar Zelaya, as interim General Manger.

### Exploration

The Company issued an update on exploration activities in a separate news release dated October 20, 2010.

### Subsequent Event

On November 15, 2010 the Company announced that it has entered into a Support Agreement with Nyrstar NV ("Nyrstar") pursuant to which Nyrstar has agreed to make an all-cash offer to acquire all of the issued and outstanding shares of the Company by way of a friendly take-over bid at a price of CAD\$0.80 per common share (the "Offer"), valuing the Company at approximately CAD\$405 million on a fully diluted basis.

The Nyrstar Offer represents a premium of 23% to the Company's closing price on the Toronto Stock Exchange (the "TSX") on November 12, 2010 and a premium of 32% to the Company's volume weighted average price on the TSX for the 20 trading days prior to the announcement of the Offer.

The Company's Board of Directors has unanimously recommended that shareholders tender their shares in favour of the Offer.

### Conference Call

Farallon will hold a conference call tomorrow, Tuesday November 16, at 6:00 am Pacific time (9:00 am Eastern) to discuss these results. The call can be accessed at (647) 427-7450 or toll-free at (888) 231-8191. A live webcast will also be available at [www.farallonmining.com](http://www.farallonmining.com).

### Tables of Production and Summary Financial Statements

#### Production Q3 2010 Q2 2010 Q1 2010 YTD 2010

Metals (contained in concentrate)

Zinc (000's Pounds) 18,932 26,272 24,950 69,207

Copper (000's pounds) 2,028 2,261 2,139 11,183

Silver (ounces) 311,638 595,309 420,911 1,327,858

Gold (ounces) 2,926 6,722 4,322 13,970

Ore Mined (tonnes) 139,447 155,043 154,580 449,070

Ore Processed (tonnes) 132,529 165,244 152,178 452,951

tonnes per day 1,441 1,816 1,691 1,659

Zinc grade (%) 7.8 8.7 9.1 8.6

Copper grade (%) 0.9 0.9 1.1 1.0

Silver grade (%) 118 222 174 176

Gold grade (%) 1.6 2.7 2.5 2.3

#### Concentrate

Zinc (DMT) 17,985 25,342 23,365 66,692

Zinc (%) 47.8 47.0 48.4 47.7

Silver (g/t) 211 312 290 277

Gold (g/t) 2.2 2.7 2.3 2.4

Copper (DMT) 6,783 9,011 6,952 22,746

Copper (%) 13.6 11.4 14.0 12.8

Silver (g/t) 870 1,175 909 1,003

Gold (g/t) 8.1 15.5 11.6 12.1

#### Recovery Q3 2010 Q2 2010 Q1 2010 YTD 2010

Zinc (%) 83 82 82 82

Copper (%) 74 68 59 66

Silver (%) 62 53 49 54

Gold (%) 43 41 39 41

#### Costs Q3 2010 Q2 2010 Q1 2010 YTD 2010

Site Costs (US\$/t milled) \$85.61 \$64.34 \$76.74 \$74.80

Total Cash Costs (US\$/payable lb zinc) (1) \$0.35 \$0.05 \$0.36 \$0.24

Summary of Consolidated Balance Sheets (USD '000s)

30-Sep-10 30-Jun-10 31-Mar-10 31-Dec-09

Assets

Cash and equivalents 23,362 28,540 20,900 21,574  
 Other Current Assets 23,393 16,580 19,680 17,744  
 Current Assets 46,755 45,120 40,580 39,318

Property, Plant and Equipment 124,809 124,596 125,832 127,530  
 TOTAL ASSETS 171,564 169,716 166,412 166,848

Liabilities and Shareholders' Equity

Accounts payable and accrued liabilities 15,857 11,622 14,564 15,428  
 Other Current Liabilities 9,123 9,059 7,778 9,007  
 Current liabilities 24,980 20,681 22,342 24,435

Long term debt (Credit Suisse) 24,750 27,000 21,900 24,319  
 Silver Wheaton deferred revenue 65,427 67,682 72,037 74,499  
 Capital lease obligation 205 - - -  
 Site closure and reclamation obligation 626 604 583 561  
 Long term liabilities 115,988 115,967 116,862 123,814

Shareholders' equity 55,576 53,749 49,550 43,034

TOTAL LIABILITIES & EQUITY 171,564 169,716 166,412 166,848

Working Capital 21,775 24,439 18,238 14,883

Summary of Consolidated Statements of Operations and Comprehensive Loss (USD '000s)

Q3 Q2 Q1 Q4

2010 2010 2010 2009

Gross Sales Revenue 28,486 39,053 37,595 32,343  
 Cost of Sales (20,459) (24,116) (25,457) (25,142)  
 Depreciation, depletion and amortization (2,964) (3,607) (3,018) (3,244)  
 Earnings (loss) from operations 5,063 11,330 9,120 3,957

Exploration 1,679 1,063 1,443 599  
 Office Costs 1,898 2,467 1,675 2,058  
 Other Expenses (income) 377 5,817 (241) 1,182  
 Expenses (income) 3,954 9,347 2,877 3,839  
 Current income tax (recovery) expense 64 17 41 74  
 Net Earnings (loss) 1,045 1,966 6,202 44

Net Earnings (loss) 1,045 1,966 6,202 44  
 Depreciation, depletion and amortization 2,942 3,586 3,018 3,244  
 Accretion of reclamation obligation 22 21 22 (18)  
 Interest Expense 648 610 604 569  
 Loss on extinguishment of long-term debt - 1,133 - -  
 Interest Income 8 (11) (14) (8)  
 Current income tax (recovery) expense 64 17 41 74  
 Standard EBITDA 4,729 7,322 9,873 3,905  
 Unrealized foreign exchange (gain) loss (607) 2,021 (1,100) 258  
 Stock based compensation 328 2,064 269 363  
 Non-GAAP Adjusted EBITDA 4,450 11,407 9,042 4,526

Summary of Consolidated Statement of Cash Flows (USD 000's)

Q3 Q2 Q1 Q4

2010 2010 2010 2009

Earnings (loss) for the period 1,045 1,966 6,202 44  
 Amortization of Deferred Revenue (2,255) (4,355) (2,462) (2,304)  
 Items not involving cash 2,785 8,988 2,267 4,511  
 Cash Flow from Operations before changes in non-cash working capital 1,575 6,599 6,007 2,251  
 Changes in non-cash working capital (2,814) 852 (6,529) 2,156  
 Cash Flow from (used in) Operations (1,239) 7,451 (522) 4,407

Investing Activity - Additions to Property Plant Equipment (2,698) (2,350) (1,298) (1,919)  
Financing Activity (1,848) 4,560 46 9,894  
Foreign Exchange Gain (loss) 607 (2,021) 1,100 (1,854)  
Increase (Decrease) in cash and equivalents (5,178) 7,640 (674) 10,528

Cash and equivalents, beginning of period 28,540 20,900 21,574 11,046  
Cash and equivalents, end of period 23,362 28,540 20,900 21,574

Farallon operates the G-9 zinc mine on its Campo Morado Property in Guerrero State, Mexico. G-9 is a 1,500 tonnes per day, underground zinc mine with important by-product credits of copper, gold, and silver. G-9 has total cash costs<sup>1</sup> amongst the lowest of zinc producers worldwide. The Company is targeting to produce at an annualized production rate of 120 million pounds of zinc and 15 million pounds of copper per year.

#### ON BEHALF OF THE BOARD OF DIRECTORS

J.R.H. (Dick) Whittington  
President & CEO

#### Notes:

(1) Total Cash Costs and Adjusted EBITDA are Non-GAAP Financial Measures. Please read page 7 of the Company's MD&A for further information.

No regulatory authority has approved or disapproved the information contained in this news release

#### **Forward Looking Information**

*This news release includes certain statements that may be deemed "forward-looking statements." All statements in this release, other than statements of historical facts, that address future production, reserve or resource potential, continuity of mineralization, exploration drilling, operational activities, production rates, costs to completion and events or developments that the Company expects, or is targeting, are forward-looking statements. Although the Company believes that the expectations expressed in such forward looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward looking statements and may require achievement of a number of operational, technical, economic, financial and legal objectives. The likelihood of continued future mining at Campo Morado is subject to a large number of risks, including obtaining lower than expected grades and quantities of mineralization and resources, lower than expected mill recovery rates and mining rates, changes in and the effect of government policies with respect to mineral exploration and exploitation, the possibility of local disputes including blockades of the company's property and/or labor disputes, the possibility of adverse developments in the financial markets generally, fluctuations in the prices of zinc, gold, silver, copper and lead, obtaining additional mining and construction permits, preparation of all necessary engineering for ongoing underground and processing facilities as well as receipt of additional financing to fund mine construction, development and operation, if needed. Such funding may not be available to the Company on acceptable terms or on any terms at all. For more information on the Company and the risk factors inherent in its business, investors should review the Company's Annual Information Form at [www.sedar.com](http://www.sedar.com).*

#### **Information Concerning Estimates of Indicated Resources**

*This news release uses the term "indicated resources". Farallon advises investors that although these terms are recognized and required by Canadian regulations (under National Instrument 43-101 Standards of Disclosure for Mineral Projects), the U.S. Securities and Exchange Commission does not recognize them. Investors are cautioned not to assume that any part or all of the mineral deposits in this category will ever be converted into reserves.*

#### **For further information:**

on Farallon, please visit the Company's website at [www.farallonmining.com](http://www.farallonmining.com) or contact Neil MacRae, Investor

Relations Manager, at (604) 638-2160 or within North America at 1-877-688-2050.

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