

Avion Gold Announces Third Quarter Earnings of \$7.2 Million With Cash Flow of \$15.3 Million

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- **Earnings Per Share of \$0.02**
- **Cash Costs of \$806 Per Ounce Produced in Third Quarter 2011**

TORONTO, ONTARIO -- (Marketwire - Nov. 15, 2011) - [Avion Gold Corporation](#) (TSX: AVR) (OTCQX: AVGCF) ("Avion" or the "Company") today announces its financial results for the third quarter ended September 30, 2011. All amounts are in United States dollars unless otherwise indicated.

Avion plans to host a conference call at 10:30 AM (EST) on November 15, 2011.

To participate in the call please dial:
International: +1 416 340 2216
Toll Free North America: 866 226 1792
Toronto Area: 416 340 2216

A play-back recording will be available shortly after the completion of the call on Avion's website at www.aviongoldcorp.com.

Complete unaudited financial statements and the related Management's Discussion and Analysis will be available under the Company's profile on www.sedar.com before market open today.

Third Quarter Highlights:

- The Company had earnings of \$7.2 million, or \$0.02 per share for the quarter, as compared to \$14.4 million in earnings, or \$0.04 per share for the comparable quarter last year. The decrease in earnings is primarily related to a provision of \$4,220,349 for taxes relating to in country employee benefits and other statutory obligations for prior periods being charged to mineral and processing costs for the period. Additional factors were higher fuel costs and lower grade ore processed at higher tonnages during the period.
- The Company achieved revenues of \$36.9 million for the quarter compared to revenues of \$31.8 million for the comparable quarter last year, representing a 16% increase. The Company continues to benefit from the strong gold price environment.
- During the quarter the Company sold 22,000 ounces of gold at an average realized price of \$1,674 per ounce.
- The Company produced 21,687 ounces of gold at a cash cost per ounce of \$806 and total cash costs produced of \$925. Please see "Non-GAAP Measures" below. The Company generated \$12.7 million in operating cash flow before working capital in the 3rd quarter compared to \$17.1 million for the comparable quarter last year. The higher cash costs in the quarter are primarily the result of lower grade ore being processed along with low owner equipment mechanical availability requiring the use of more expensive contractors. The lower grade ore was partially offset through an increase in mill feed but resulted in higher operating costs.
- The Company expended \$41.8 million on its extensive capital programs, including underground development, mill plant expansion activities and exploration. These programs are continuing to progress on schedule.
- The Company completed the quarter with a strong balance sheet having \$53.1 million in working capital, which included \$ 49.2 million in cash and cash equivalents.

Capital Expansion Programs

- Expansion plans continued at Tabakoto during the quarter, consisting of the following activities:
- - Approximately 1,700 metres of underground development was completed at the Tabakoto deposit during

the third quarter of 2011. Over 21,700 tonnes of development ore was mined from various zones within the deposit. Development remains on plan for commercial production in 2012.

- Over 5,300 metres of underground development has been achieved at Tabakoto to date. Ore zones continue to be developed on multiple levels in preparation for production stoping in the first quarter of 2012.

- Preparations to start underground development of the Ségala deposit were nearly completed in the third quarter of 2011. Advance of the main ramp decline subsequently commenced in October, 2011.

- The Company continues on plan and budget for its plant expansion project to increase processing capacity from 2,000 tonnes per day to 4,000 tonnes per day. Construction remains on schedule to be completed around the end of Q1 of 2012. The production forecast for 2012 is 160,000 ounces of gold. All of the plant equipment has been ordered and most of the major equipment items are due to arrive at the mine site this month. Detailed engineering is now almost 95% complete. Civil and earthworks are now approximately 85% complete. The SAG mill, gold room, gravity tower, CIL and leach tanks, electrical room, and stockpile foundations are completed.

Financial Discussion: three months ended September 30, 2011

The Company reported net income of \$7,228,667 (\$0.02 per share, basic and diluted) for the three months ended September 30, 2011 compared to \$14,449,194 (\$0.04 per share, basic and diluted) for the three months ended September 30, 2010.

During Q3-2011, the Company sold 22,000 ounces of gold and generated \$36,833,887 in gold sales revenue. In Q3-2010, 25,700 ounces of gold was sold generating \$31,702,673 in gold sales revenue. Mining and processing costs were \$21,577,346 (Q3-2010: \$11,763,087), which includes \$nil (Q3-2010: \$243,437) in amortized deferred stripping costs, and the Company recorded amortization and depletion of \$3,403,523 (Q3-2010: \$2,634,942). Mining and processing costs also includes a provision for payroll taxes and other statutory liabilities from prior years in the amount of \$4,220,349. The Company is amortizing deferred property, plant and equipment related to the Mali projects on a unit of production basis from the current mine plan. The Company was subject to a 6% royalty on metal sales during Q3-2011. Royalties expense totaled \$2,587,011 (Q3-2010: \$2,078,428) for the ounces of gold sold during Q3-2011. The Company previously bought out an aggregate 3% royalty in late 2009 and 2010 for a combined \$3,000,000 in cash, and shares and warrants worth \$1,107,116. These amounts have been deferred and will be amortized over the life of the mine. Royalty expenses during the comparative quarter included an additional 1% royalty.

The Company realized a cash cost per ounce produced of \$806 per ounce for Q3-2011 compared to \$498 for Q3-2010. Please see "Non-GAAP Measures" below. The increase in cash costs per ounce produced as compared to Q3-2010 and to Q2-2011 was primarily the result of the following:

- Closure of Ivory Coast shipping ports meant that all supplies to West Africa were diverted to Dakar. This caused severe congestion and delays getting supplies through customs at Dakar, which is where all of Avion's supplies from overseas are shipped through. Spare parts for the open pit mining equipment did not arrive on schedule, and equipment availabilities decreased. This meant heavier reliance was placed on contractor equipment, which is more expensive than using Company equipment. Subsequently, the costs to mine the Dioulafoundou pit were higher than budgeted. Another result of the port situation was that more supplies than budgeted had to be air freighted as opposed to shipped by sea, which was more expensive.

- Almost half of the open pit mining amount that was over budget was due to the necessity of mining the Tabakoto South and Segala NW pits, which were not in the budget. Due to the low equipment availability, the amount of waste removal at Dioulafoundou could not keep a constant amount of high grade ore accessible, and the Company had to rely on ore from the other two pits, which contained lower grade ore. In an effort to achieve budgeted gold production, the mill tonnage was increased, which resulted in higher operating costs than budgeted.

- Due to the low equipment availability, the amount of waste removal at Dioulafoundou was less than what was required to maintain access to ore. As a consequence, the amount of waste stripping in Q3 was increased to get the mine plan back on schedule. These waste stripping costs were expensed in the current period.

Corporate and administrative expenses for the quarter ended September 30, 2011 totaled \$1,264,024 compared to \$718,343 for Q3-2010. Other corporate costs increased moderately over the quarter reflecting the increased activity of the Company.

Non-cash share based compensation expense for Q3-2011 was \$66,273 (Q3-2010: \$123,825) related to the

estimated fair value of stock options that were granted and vested during Q3-2011. A total of "nil" stock options were granted during Q3-2011 compared to 13,945,000 during Q3-2010. Share based compensation was estimated using the Black-Scholes option pricing model as at the date of grant.

During Q3-2011, the Company incurred a non-cash accretion expense of \$61,750 related to the Company's asset retirement obligations acquired through the acquisition of the Mali projects (Q3-2010: \$55,500). As well, the Company incurred \$103,083 in interest expense related to obligations under finance leases (Q3-2010: \$nil).

The Company recognized an unrealized loss of (\$1,105,897) during Q3-2011 (Q3-2010: an unrealized gain of \$305,578 related to their held-for-trading investments based on the fair market value of these investments as at September 30, 2011).

The Company also incurred a foreign exchange translation gain of \$1,637,928 during Q3-2011 compared to a loss of \$461,514 during Q3-2010. During the comparative quarter, the Company recognized a gain of \$152,239 on the revaluation of the warrant provision from warrants held in a currency other than the Company's functional currency.

Revised Guidance

In the month of October, 2011, mining at the Dioulafoundou open pit encountered a zone of lower grade ore that was over-estimated in the geologic model. The zone was in the transitional horizon, between the oxide and fresh ore boundaries. Ore mined from the zone also presented metallurgical issues, and the mill recovery decreased from 96% to 88%. As a result, the Company is now guiding production to be between 92,000 and 95,000 ounces of gold for 2011. The problematic zone has been mined out, and ore grades have come back in line with the geologic model. Mill recoveries have also increased to normal levels.

About Avion Gold Corporation

Avion is a Canadian-based gold mining company focused in West Africa that holds 80% of the Tabakoto and Ségala gold projects in Mali. Gold production commenced at these projects in 2009 with approximately 51,290 ounces produced. 2010 production was 87,630 ounces of gold. Production sustainability will continue to be supported and enhanced by an aggressive 2011 drill program over an approximately 600 km² exploration package that both surrounds and is near to the Company's existing mine infrastructure. The current mineral resources estimate for the Tabakoto project demonstrates several sources of excellent grade open pit and good grade underground mineral resources thus providing significant flexibility for Avion's future mining plans. On July 5, 2011 Avion announced its initial proven or probable mineral reserve estimate of 7.24 million tonnes grading 3.92 g/t Au totaling 913,100 ounces of gold at the Tabakoto Project. Additionally, the 1,670 km² Houndé exploration property in Burkina Faso continues to return promising results. These properties are subject to a current US\$ 16 million dollar, approximate 75,000 metre, drill-focused, exploration program in 2011. Avion continues to progress towards its medium term goal of 200,000 ounces of gold per year and a longer term goal of organic growth through development of its exploration properties. The Company is developing an underground mine at the Tabakoto deposit, and is preparing to mine underground at the Ségala deposit. Avion has a highly skilled management team, with a focus on growth and consolidation within West Africa.

Cautionary Notes

This press release contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, without limitation, statements regarding the impact of the financial results on the Company, development potential and timetable of the Mali projects; the future price of gold; the estimation of mineral resources; conclusions of economic evaluation (including scoping studies); the realization of mineral resource estimates; the timing and amount of estimated future production, development and exploration; costs of future activities; capital and operating expenditures; success of exploration activities; mining or processing issues; currency exchange rates; government regulation of mining operations; and environmental risks. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or 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 information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to: general business, economic, competitive,

geopolitical and social uncertainties; the actual results of current exploration activities; foreign operations risks; other risks inherent in the mining industry and other risks described in the annual information form of the Company, which is available under the profile of the Company on SEDAR at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

Cautionary Non-GAAP Statements

Avion believes that investors use certain indicators to assess gold mining companies. The indicators are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared with GAAP. "Cash flow from operating activities before changes in non-cash working capital" is a non-GAAP performance measure which could provide an indication of the Company's ability to generate cash flows from operations, and is calculated by adding back the change in non-cash working capital to "Cash provided by (used for) operating activities" as presented on the Company's consolidated statements of cash flows. "Cash flow per share" is calculated by dividing "Cash provided by (used for) operating activities" and adding back the change in non-cash working capital by the fully diluted number of shares outstanding for the period. "Cash cost per ounce produced" is a non-GAAP performance measure which could provide an indication of the mining and processing efficiency and effectiveness at the mine. It is determined by dividing the relevant mining and processing costs excluding royalties by the ounces produced in the period. There may be some variation in the method of computation of "cash cost per ounce produced" as determined by the Company compared with other mining companies. In this context, "ounces produced" includes in-process and dore inventory along with ounces of gold sold in the period. "Cash costs per ounce produced" may vary from one period to another due to operating efficiencies, waste to ore ratios, grade of ore processed and gold recovery rates in the period.

The following table provides a reconciliation of mining and processing costs per the financial statements and cash operating for the purposes of calculating cash costs per ounce produced and total cash costs produced.

	Three months ended September 30, 2011	Three months ended September 30, 2010	
Mining and processing expenses	21,577,346		11,763,087
By-product silver sales credit	(114,541)	(86,582)	
Inventory movements and adjustments	235,336		71,000
Provision for government assessment for prior period payroll and other taxes	(4,220,349)		
Cash operating costs	17,477,792	11,747,505	
Divided by ounces of gold produced	21,687		23,609
Cash cost per ounce produced	806	498	
Royalties	2,587,011	2,078,488	
Total cash cost per ounce produced	925	586	
Operating cashflow	15,261,330	14,902,563	
Operating cashflow per ounce produced	704		631

Contact Information

[Avion Gold Corporation](http://www.aviongoldcorp.com)

Michael McAllister, Manager, Investor Relations
(416) 309-2134
info@aviongoldcorp.com
www.aviongoldcorp.com

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