

# High River Financial Results for the Second Quarter Ended June 30, 2012

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*(All currency figures are in Canadian Dollars unless otherwise noted)*

TORONTO, ONTARIO -- (Marketwire) -- 08/14/12 -- [High River Gold Mines Ltd.](#) (TSX: HRG) ("High River" or the "Company") today reported its financial position and operational results for the three month period ended June 30, 2012. The Unaudited Interim Consolidated Financial Statements and related Notes along with the Management's Discussion and Analysis have been filed on SEDAR ([www.sedar.com](http://www.sedar.com)) and can be viewed on the Company's website at [www.hrg.ca](http://www.hrg.ca).

## HIGHLIGHTS FOR THE SECOND QUARTER 2012

### Financial Results

- Net gold revenue of \$135.5 million, a decrease of 3% from \$138.9 million in Q1 2012 and a decrease of 1% from \$ 136.2 million in Q2 2011.
- Net income attributable to equity holders of \$31.5 million (\$0.04 per share) compared to a net income of \$57.6 million (\$0.07 per share) in Q1 2012 and a net income of \$ 41.4 million (0.05 per share) in Q2 2011.
- Cash flow from operations of \$49.8 million, down from \$71.5 million in Q1 2012, and up from \$42.9 in Q2 2011.
- Cash and cash equivalents decreased to \$18.0 million from \$ 95.6 million at the end of Q1 2012, and down from \$ 207.2 million at the end of Q2 2011.
- Working capital decreased to \$214.8 million from \$295.0 million at the end of Q1 2012, down from \$307.2 million at the end of Q2 2011.
- Current and long term debt decreased to \$10.1 million from \$11.1 million at the end of Q1 2012 and from \$24.0 million at the end of Q2 2011.

### Operations

- Total gold production (hereinafter not including the gold equivalent of silver) decreased 1% to 83,402 ounces (Q1 2012 - 84,457 ounces (100%)). Total cash cost per ounce increased 5% to US\$829 per ounce (Q1 2012 - US\$786 per ounce).
- The Zun-Holba and Irokinda Gold Mines produced 28,970 ounces (Q1 2012 - 30,426 ounces) (100%) at a total cash cost of US\$829 per ounce.
- The Taparko-Bouroum Gold Mine produced 28,816 ounces (Q1 2012 - 33,747 ounces) (100%) at a total cash cost of US\$790 per ounce.
- Gold production at Berezitovy was 25,616 ounces (Q1 2012 - 20,284 ounces) (100%) at a total cash cost of US\$873 per ounce.

### Corporate

- On April 16, 2012, High River announced updated reserve and resource estimate and current technical reports for Irokinda and Zun-Holba.
- On April 24, 2012, High River announced updated reserve and resource estimate and current technical reports for its Berezitovy and Burkina Faso properties.
- On May 14, 2012, Yury Lopukhin replaced Konstantin Sobolevsky as Chief Executive Officer and Georgy Smirnov was appointed as Chief Financial Officer of High River.
- On June 8, 2012, High River filed technical reports for its Berezitovy and Burkina Faso properties.

### Subsequent Events

- On July 18, 2012, [Nord Gold N.V.](#) ("Nordgold") announced its intention to make a formal offer to acquire the common shares ("Common Shares") of the Company that Nordgold and its affiliates do not already own, including Common Shares issuable upon exercise of convertible High River securities, for a price per Common Share, at the option of the tendering shareholder, of either (a) 0.285 global depositary receipts of Nordgold or (b) \$1.40 in cash (the "Offer").
- On July 18, 2012, the board of directors of the Company (the "Board") established a special committee of independent directors (the "Special Committee") to consider the Offer, alternatives to the Offer, and engage a financial advisor to prepare the formal valuation of High River in accordance with Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions. The Special Committee has engaged Paradigm Capital Inc. to prepare the formal valuation and expects to receive such valuation by mid-September 2012. The Special Committee has also engaged Fraser Milner Casgrain LLP as its legal counsel.
- On July 20, 2012, the Company filed on SEDAR an amended and restated annual information form ("AIF") for the year ended December 31, 2011. The original AIF was filed on March 30, 2012. The amended and restated AIF provides updated mineral reserve and mineral resource estimates for the Zun-Holba, Irokinda, and Berezitovy mines in Russia, as well as High River's properties in Burkina Faso. The Company also filed revised technical reports with respect to its Berezitovy and Burkina Faso properties that address minor deficiencies in the original technical reports filed on June 8, 2012.

## DISCUSSION OF FINANCIAL RESULTS

### Selected Financial Results

The Company reported a net income of \$31.5 million (\$0.04 per share) in Q2 2012 compared to a net income of \$57.6 million (\$0.07 per share) during Q1 2012 and net income of \$41.4 million (\$0.05 per share) in Q2 2011.

| In thousands of<br>Canadian dollars<br><br>(except per share<br>amounts) | Three months ended |               | Six months ended |               |
|--------------------------------------------------------------------------|--------------------|---------------|------------------|---------------|
|                                                                          | June 30, 2012      | June 30, 2011 | June 30, 2012    | June 30, 2011 |
| Gold revenue                                                             | \$ 135,526         | \$ 136,204    | \$ 274,423       | \$ 258,566    |
| Net income (loss)                                                        | 31,576             | 41,375        | 89,213           | 78,674        |
| Net income (loss) per<br>share (basic)                                   | 0.04               | 0.05          | 0.11             | 0.09          |
| Cash provided by<br>(used in) operating<br>activities                    | 49,812             | 42,893        | 121,244          | 96,410        |
| Weighted average<br>number of shares<br>outstanding (basic)              | 840,218,962        | 840,218,962   | 840,218,962      | 840,218,962   |

## About High River

High River is an unhedged gold company with interests in producing mines, development and advanced exploration projects in Russia and Burkina Faso. Two underground mines, Zun-Holba and Irokinda, are situated in the Lake Baikal region of Russia. Two open pit gold mines, Berezitovy in Russia and Taparko-Bouroum in Burkina Faso, are also in production. Finally, High River has a 90% interest in a development project, the Bissa gold project in Burkina Faso, and a 50% interest in an advanced exploration project with NI 43-101 compliant resource estimates, the Prognoz silver project in Russia.

## FORWARD LOOKING INFORMATION

*This release contains forward-looking statements. Wherever possible, words such as "intends", "expects", "scheduled", "estimates", "anticipates", "believes", and similar expressions or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, have been used to identify these forward-looking statements. Although the forward-looking statements contained in this release reflect management's current beliefs based upon information currently available to management and based upon what management believes to be reasonable assumptions, High River cannot be certain that actual results will be consistent with these forward-looking statements. A number of factors could cause events and achievements to differ materially from the results expressed or implied in the forward-looking statements. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Forward-looking statements necessarily involve significant known and unknown risks, assumptions and uncertainties that may cause High River's actual results, events, prospects and opportunities to differ materially from those expressed or implied by such forward-looking statements. Although High River has attempted to identify important risks and factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors and risks that cause actions, events or results not to be anticipated, estimated or intended, including those risk factors discussed in the Company's most recent Annual Information Form. There can be no assurance that the forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, prospective investors should not place undue reliance on forward-looking statements. Any forward-looking statements are made as of the date of this release, and High River assumes no obligation to update or revise them to reflect new events or circumstances, unless otherwise required by law.*

## High River Gold Mines Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)  
For the three and six months ended 30 June  
(In thousands of Canadian Dollars)

|       | Three months ended |                  | Six months ended |                  |
|-------|--------------------|------------------|------------------|------------------|
| Notes | 30 June,<br>2012   | 30 June,<br>2011 | 30 June,<br>2012 | 30 June,<br>2011 |

|                                                           |          |          |           |           |
|-----------------------------------------------------------|----------|----------|-----------|-----------|
| -----                                                     |          |          |           |           |
| Revenue                                                   |          |          |           |           |
| Gold                                                      | 135,526  | 136,204  | 274,423   | 258,567   |
| Silver                                                    | 1,578    | 2,902    | 3,364     | 4,902     |
| -----                                                     |          |          |           |           |
|                                                           | 137,104  | 139,106  | 277,787   | 263,469   |
| Cost of sales                                             | (80,488) | (79,658) | (157,053) | (136,482) |
| -----                                                     |          |          |           |           |
| Gross Profit                                              | 56,616   | 59,448   | 120,734   | 126,987   |
| -----                                                     |          |          |           |           |
| Exploration expenses                                      | -        | 4,036    | -         | -         |
| General and administrative expenses                       | (522)    | (384)    | (1,127)   | (1377)    |
| Other expenses, gains and losses                          | (11,697) | (3,993)  | (778)     | (9,044)   |
| Interest income                                           | 2,337    | 1,251    | 6,114     | 3,022     |
| Finance costs                                             | (2,343)  | (1,223)  | (2,657)   | (3,129)   |
| -----                                                     |          |          |           |           |
| Profit before income taxes                                | 44,390   | 59,134   | 122,286   | 116,458   |
| Income tax expense                                        | (8,803)  | (14,106) | (24,066)  | (26,529)  |
| -----                                                     |          |          |           |           |
| Profit for the year                                       | 35,587   | 45,029   | 98,220    | 89,930    |
| -----                                                     |          |          |           |           |
| Attributable to:                                          |          |          |           |           |
| Non-controlling interest                                  | 4,011    | 3,653    | 9,007     | 11,255    |
| Equity holders of the Company                             | 31,577   | 41,375   | 89,213    | 78,674    |
| -----                                                     |          |          |           |           |
| Profit for the year                                       | 35,587   | 45,029   | 98,220    | 89,930    |
| -----                                                     |          |          |           |           |
| Other Comprehensive (loss) Income                         |          |          |           |           |
| Net (loss) gains on available for sale financial assets   | (13,829) | (9,846)  | (14,899)  | (1,923)   |
| -----                                                     |          |          |           |           |
| Exchange differences on translation of foreign operations | (30,775) | (74,582) | (11,636)  | (57,380)  |
| -----                                                     |          |          |           |           |
| Other comprehensive (loss) income, net of tax             | (44,604) | (84,428) | (26,535)  | (59,303)  |
| -----                                                     |          |          |           |           |
| Attributable to:                                          |          |          |           |           |
| Non-controlling interest                                  | 4,011    | 3,653    | 9,006     | 11,255    |
| Equity shareholders of the Company                        | (13,028) | (43,052) | 62,678    | 19,372    |
| -----                                                     |          |          |           |           |
| Comprehensive Income, net of tax                          | (9,017)  | (39,399) | 71,685    | 30,627    |
| -----                                                     |          |          |           |           |
| Profit attributable to equity holders of the Company      | 31,577   | 41,375   | 89,213    | 78,674    |

|                                                              |             |             |             |             |
|--------------------------------------------------------------|-------------|-------------|-------------|-------------|
| Weighted average<br>number of ordinary<br>shares outstanding | 840,218,962 | 840,218,962 | 840,218,962 | 840,218,962 |
| Basic and diluted<br>earnings per share                      | 0.04        | 0.05        | 0.11        | 0.09        |

[High River Gold Mines Ltd.](#)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
(In thousands of Canadian Dollars)

|                                          | Notes | As at<br>30 June, 2012 | As at<br>31 December,<br>2011 |
|------------------------------------------|-------|------------------------|-------------------------------|
| <b>ASSETS</b>                            |       |                        |                               |
| <b>Current Assets</b>                    |       |                        |                               |
| Cash & cash equivalents                  | 3     | 18,003                 | 162,310                       |
| Inventories                              | 4     | 140,819                | 121,690                       |
| Loans to related parties                 | 5     | 101,329                | 24,360                        |
| Other assets                             | 6     | 60,022                 | 37,690                        |
|                                          |       | 320,173                | 346,050                       |
| <b>Non-Current Assets</b>                |       |                        |                               |
| Exploration and evaluation assets        | 7     | 95,272                 | 80,035                        |
| Mine properties                          | 8     | 103,026                | 107,105                       |
| Property, plant & equipment              | 9     | 363,623                | 244,131                       |
| Available for sale financial assets      |       | 68,674                 | 86,023                        |
| Loans to related parties                 | 5     | 64,694                 | 57,219                        |
| Other assets                             | 6     | 3,023                  | 9,654                         |
| Deferred tax assets                      |       | 77,582                 | 77,610                        |
|                                          |       | 775,894                | 661,777                       |
| <b>TOTAL ASSETS</b>                      |       | <b>1,096,067</b>       | <b>1,007,826</b>              |
| <b>LIABILITIES</b>                       |       |                        |                               |
| <b>Current Liabilities</b>               |       |                        |                               |
| Accounts payable and accrued liabilities | 11    | 86,160                 | 51,566                        |
| Loans and other borrowings               | 12    | 10,140                 | 20,531                        |
| Derivative Financial Liabilities         |       | -                      | -                             |
| Income tax payable                       |       | 9,058                  | 17,846                        |
|                                          |       | 105,358                | 89,942                        |
| <b>Non-Current Liabilities</b>           |       |                        |                               |
| Provisions                               | 13    | 19,328                 | 19,147                        |
| Deferred tax liabilities                 |       | 94,917                 | 93,957                        |
|                                          |       | 114,245                | 113,104                       |
| <b>TOTAL LIABILITIES</b>                 |       | <b>219,603</b>         | <b>203,047</b>                |
| <b>EQUITY</b>                            |       |                        |                               |
| Share Capital                            |       | 640,157                | 640,157                       |
| Contributed surplus                      |       | 25,079                 | 25,079                        |
| Available for sale reserve               |       | 56,032                 | 70,930                        |

|                                                      |    |           |           |
|------------------------------------------------------|----|-----------|-----------|
| Foreign currency translation reserve                 |    | (56,708)  | (45,071)  |
| Retained Earnings/(Deficit)                          |    | 147,729   | 58,515    |
| <hr/>                                                |    |           |           |
| Equity attributable to equity holders of the Company |    | 812,289   | 749,610   |
| Non-controlling interest                             | 16 | 64,175    | 55,169    |
| <hr/>                                                |    |           |           |
| TOTAL EQUITY                                         |    | 876,464   | 804,779   |
| <hr/>                                                |    |           |           |
| TOTAL LIABILITIES AND EQUITY                         |    | 1,096,067 | 1,007,826 |
| <hr/>                                                |    |           |           |

High River Gold Mines Ltd.INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(Expressed in thousands of Canadian Dollars)

| OPERATING ACTIVITIES                                     | Year to Date |              |
|----------------------------------------------------------|--------------|--------------|
|                                                          | 30 June 2012 | 30 June 2011 |
| <hr/>                                                    |              |              |
| Profit after income taxes                                | 98,220       | 89,930       |
| Adjustments to profit for non-cash items                 |              |              |
| Depreciation and amortization                            | 31,227       | 28,397       |
| Accretion expense                                        | 617          | 952          |
| Write-down of exploration                                | -            | (175)        |
| Loss/(gain) on disposal of investments                   | (108)        | (432)        |
| Non-cash mining costs                                    | (559)        | (1,526)      |
| Equity loss from associated company                      | -            | -            |
| Fair value adjustment to financial instruments           | -            | -            |
| Share based payment expense                              | -            | -            |
| Interest on capital lease                                | -            | -            |
| Gain/(loss) on disposal of property, plant and equipment | 8            | (601)        |
| Deferred tax expense                                     | 36,337       | 10,420       |
| Other non-cash items                                     | (2,769)      | 12,678       |
| Working Capital Adjustments                              |              |              |
| Change in trade receivable and other assets              | (12,323)     | (6,845)      |
| Change in inventories                                    | (19,129)     | (26,441)     |
| Change in other assets                                   | (3,129)      | (5,499)      |
| Change in accounts payable and accrued liabilities       | 24,054       | 2,994        |
| Income tax paid                                          | (31,201)     | (7,436)      |
| <hr/>                                                    |              |              |
| NET OPERATING CASH FLOWS                                 | 121,244      | 96,416       |
| <hr/>                                                    |              |              |
| INVESTING ACTIVITIES                                     |              |              |
| Investment in exploration and evaluation assets          | (19,261)     | (21,546)     |
| Expenditure on property, plant and equipment             | (154,370)    | (15,937)     |
| Allocation of restricted cash                            | -            | -            |
| Proceeds on sale of property, plant and equipment        | 23           | 1,273        |
| Other investing activities                               | (726)        | (895)        |
| <hr/>                                                    |              |              |
| NET INVESTING CASH FLOWS                                 | (174,334)    | (37,104)     |
| <hr/>                                                    |              |              |
| FINANCING ACTIVITIES                                     |              |              |
| Payments of loans and borrowings                         | (10,597)     | (10,283)     |
| Joint venture repayment of Prognoz contribution          | -            | 18,885       |
| Other Financing activities                               | (82,366)     | (16,726)     |

|                                                    |           |         |
|----------------------------------------------------|-----------|---------|
| NET FINANCING CASH FLOWS                           | (92,963)  | (8,124) |
| Increase (decrease) in cash and cash equivalents   | (146,053) | 51,187  |
| Net foreign exchange difference                    | 1,746     | 2,113   |
| Cash and cash equivalents, beginning of the period | 162,310   | 153,964 |
| Cash and cash equivalents, end of the period       | 18,003    | 207,264 |

**Contacts:**

[High River Gold Mines Ltd.](#)

Yury Lopukhin, CEO

011 7 495 981 0910 ext. 6821

info@hrg.ca

www.hrg.ca

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