

# Kirkland Lake Gold Inc.: Fiscal 2013 Fourth Quarter and Full Year Operational and Financial Results

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KIRKLAND LAKE, ONTARIO--(Marketwired - Jul 11, 2013) - [Kirkland Lake Gold Inc.](#) (the "Company") (TSX:KGI)(AIM:KGI), an operating and exploration gold mining company, announces operational and financial results for the fourth quarter (February, March, April 2013) and fiscal year 2013.

Mr. Harry Dobson, Chairman commented, "Fiscal 2013 was a very challenging year for the Company that ended; however, with strong gold production of 31,503 ounces in the fourth quarter, as the service cage project completed and nearly doubled daily hoisting capacity from 1,000 to 1,800 tons per day. During fiscal 2014, the Company will continue to implement its expansion plans to reach production of 2,200 tons ore per day, and with this throughput rate reduce its direct and all in costs of gold production. To this end, with expansion capital spending and activities 90% behind us, and exploration spending activities also reducing to a more sustainable level, the management team is focused on delivering increasingly solid quarterly reports of operational performance going forward."

## KEY HIGHLIGHTS OF THE QUARTER

- Net income before income taxes for the quarter ending April 30, 2013 was \$4.0 million or \$0.06 per share. This compares to \$9.0 million or \$0.13 per share in Q4 fiscal 2012. Revenue for the quarter was \$54.5 million compared to \$40 million in Q4 fiscal 2012.
- Operating cost per ton and cost per ounce were \$375 per ton and \$1,062 per ounce compared to \$249 per ton and \$735 per ounce in Q4 2012. Net of inventory adjustments, operating cost per ton and cost per ounce were \$325 per ton and \$923 per ounce compared to \$281 per ton and \$832 per ounce in Q4 2012. The increase in costs year over year net of inventory adjustments was largely attributable to additional labour being carried as necessitated by training and development requirements ahead of planned production increases. Cost adjustments attributable to inventory adjustments tend to net to zero over the longer term and are primarily caused by short term fluctuations in ore grade and process inventory levels.
- During the quarter, 89,384 tons of ore were produced at a head grade of 0.37 ounces of gold per ton (opt) and a recovery rate of 95.94% to produce 31,503 ounces of gold. Ounces sold in the quarter were 32,123 ounces. Quarterly ore tonnage produced was a record for the Company and the Macassa mine.
- The head grade of the ore coming from the South Mine Complex (SMC) in the quarter was 0.44 opt, which was a 20% increase from the 0.33 opt grade realized in the previous quarters of the year, but within the normal grade of ore coming from the mine in past years.
- The increases in tonnage and the increasing grades realized in the SMC were attributable to the service cage being in operation during the quarter. With this cage available to move personnel and supplies, the main production hoist was freed to increase hoisting of both ore and waste and to sling mining equipment underground. The increase in capacity allowed the rate of development of higher grade ore mining workplaces under 53 Level in the SMC to increase. This brought additional high grade sources of ore into the mining cycle in late March and in April.

## KEY HIGHLIGHTS OF THE YEAR

- Net loss before income taxes for the year ended April 30, 2013 was \$2.8 million or \$0.04 per share. This compares to net income of \$42.3 million or \$0.58 per share in fiscal 2012. Net loss and comprehensive loss for the year was \$2.8 million or \$0.05 per share. Revenues for the year were \$151.7 million compared to \$159.8 million in fiscal 2012.
- The Company generated \$24.6 million in cash flows from operations during the 2013 Fiscal Year compared to \$50.1 million in fiscal 2012. This was mainly due to lower revenue combined with higher non-production costs such as exploration and finance expense.

- Operating costs for the year were \$337 per ton of ore (\$1,119 per ounce of gold). This compared to \$287 per ton or \$804 per ounce in fiscal 2012. Inventory adjustments played a lesser role over this longer time period, accounting for \$12 of the variance in the cost per ton, and \$33 of the variance in the cost per ounce. The remaining variances between the last two fiscal years were largely caused by the unexpected delay, for technical reasons, in the Service Cage Expansion Project, which resulted in less ore being produced at a lower grade than expected. During this delay, the Company pushed ahead with work and hiring related to the Mine Expansion Project. The Company's long term target is to reduce the operating costs to less than \$250 per ton by completing the Mine Expansion Project and increasing production.
- After meeting all operating costs, spending \$91.1 million on infrastructure and \$17.1 million on exploration, total cash resources (including short-term investments) as at April 30, 2013 were \$77.0 million. Subsequent to year-end, the terms of the \$30 million promissory note issued by the Company as partial consideration for its 2012 acquisition of several venture properties from Osisko Mining Ltd. (formerly Queenston Mining Inc.) were amended. Pursuant to the amendment, interest under the promissory note was not payable for any period subsequent to December 31, 2013, representing a monthly interest saving to the Company of \$140,000 or \$557,000 for fiscal 2013. In connection with the amendment, the Company deposited the final \$30 million plus interest (\$30.6 million) payment into escrow, which was released to Osisko upon obtaining the severance of one of the former joint venture properties. As at July 10, 2013, total cash resources has decreased to \$40.8 million largely as a result of making this payment.
- Expansion capital remains on budget at \$95 million and spending is 90% complete with \$85.3 million spent by the end of April, 2013. Project spending in some non-critical path Expansion Project areas, such as the Mill Expansion, has been delayed where practicable to match progress on the critical path elements of the project and to preserve cash.
- For the year, 304,062 tons of ore were produced at a head grade of 0.31 opt and a gold recovery rate of 95.72% to produce 91,518 ounces. The yearly tonnage of ore produced was a record for the Company and the Mine.
- Gold poured for the year was 91,786 ounces. A total of 91,771 ounces was sold at an average price of \$1,653 (Fiscal 2012 \$1,633).
- The recovered ore grade for the year decreased due to the depletion of higher grade SMC ore mining workplaces which could not be replaced until after the service cage came on line.
- The mix of ore tons in most months this year has been roughly one ton of ore coming from higher grade ore mining workplace to three tons of ore coming from a lower grade ore mining workplace. With the new service cage now in operation, ore ton ratios are expected return to a higher-grade balance realized in previous fiscal years. Ore grade is expected to fluctuate throughout the year, but the yearly average ore grade is also expected to increase over this year compared to the previous year, as additional high grade ore mining workplaces come on line.
- Net proceeds from financing activities for the year amounted to \$132.9 million. Of that amount, \$120.6 million was generated from two private placement financings of convertible debentures and the remainder was primarily attributed to lease financing of mobile equipment.
- The Company workforce totalled 1,059 as of April 30, 2013, an increase of 83 in the quarter, and an increase of 100 over the year. By the completion of the Mine Expansion Project, the Company expects to employ approximately 1,000 people. Contractor employment is expected to drop by roughly 100 positions at the same time.
- The first battery operated truck has been slung underground and is undergoing early testing and trials with no significant issues encountered to date.
- The number of ore mining faces currently active in the production cycle is 49, with 21 additional ore mining workplaces being developed. Another 20 workplaces are available for production, but are not active in the cycle at this time. The majority of these are simply out of sequence at present, but a minority are waiting for resources to be available or equipment deployed. Thirty additional ore mining faces are at the planning stage. Work to increase the number of active production workplaces was increased as a result of the service cage being available. The activity level in some currently active ore mining workplaces is also being increased.
- As at December 31, 2013, proven and probable reserves were 3,230,000 tons at 0.45 opt for 1,454,000 contained ounces (consisting of proven reserves of 1,361,000 tons at 0.39 opt for 530,000 contained ounces and probable reserves of 1,869,000 tons at 0.49 opt for 924,000 contained ounces). Measured and indicated resources were 3,813,000 tons at 0.49 opt for 1,871,000 contained ounces (consisting of measured resources of 1,094,000 tons at 0.49 opt for 430,000 contained ounces and indicated resources of 2,719,000 tons at 0.53 opt for 1,441,000 contained ounces), and inferred resources were 2,238,000 tons at 0.52 opt for 1,157,000 contained ounces. The Company's release dated May 21, 2013 sets out further details of these resources and reserves.
- Moving forward to fiscal 2014, exploration spending is expected to decline as available resources are redirected to production and Expansion Project activities.

## OUTLOOK

- Gold sales for fiscal 2014 are forecasted to range between 150,000 - 180,000 ounces. This projection assumes a gradual increase in ore tonnages in fiscal 2014 as additional ore production capacity comes on line throughout the year. During the first and second quarters of fiscal 2014, in order to complete various stages of project work related to the hoisting capacity increase and the processing plant capacity upgrade, the main hoisting plant and the processing plant will be shutdown several times for short periods. The rest of the mine will continue to operate during these shutdowns but operations will be impacted to some extent. This has been factored into setting the yearly targets.
- Fiscal 2014 will see a transition for the Kirkland Lake Operation from being an exploration and expansion project with a producing mine in support, to being a producing mine first, with an exploration and expansion project in support. The target of the expansion project remains to reach a production capacity of 2,200 tons per day.
- For the last two years, the Company has relied significantly on internally generated cash flow to finance its operating and development requirements. By virtue of the gold price and increases in production, the Company generated \$51.2 million and \$51.2 million from operations in fiscal years 2013 and 2012, respectively. The level of cash generation is expected to grow as production increases and the high levels of project capital expenditure taper off during fiscal 2014; however, recent falls in the price of gold or lower than anticipated ore grades and production as a result of any unexpected delays associated primarily with work remaining to be completed in the mill and hoist may have a detrimental impact on cash balances and result in the liquidity risk being material. The realization of the economic scale envisaged from production growth combined with the reduction in capital expenditure associated with the Expansion Project are anticipated to have a material and very positive impact on cash resources within the next 12 months; however, management are carefully monitoring the timing and management of commitments, costs and cash balances as a consequence of the recent decline in gold prices.

## SELECTED FINANCIAL INFORMATION & REVIEW OF OVERALL PERFORMANCE

Financial Highlights	Year ended April 30,		
<i>(All amounts in 000's of Canadian Dollars, except gold price per ounce, shares and per share figures)</i>			
	2013	2012	
Gold Sales (ounces)	91,771	97,888	78,000
Average Gold Price (per ounce)	1,653	1,633	1,633
Revenue	151,692	159,824	103,000
Production Expenses	124,002	98,328	72,000
Exploration Expenditure	17,097	14,241	9,000
Other Expenses	13,366	4,927	2,000
Net (Loss) Income before Income Taxes	(2,773)	42,328	18,000
Net and Comprehensive (Loss) Income	(3,646)	41,270	19,000
Per share (basic and diluted)	(0.05)	0.58, 0.57	
Cash Flow from operating activities	24,639	51,200	29,000
Cash Flow from financing activities	132,870	11,812	19,000
Cash Flow used in investing activities	(105,739)	(63,907)	(51,000)
Net increase (decrease) in cash	51,770	(895)	(3,000)
Total cash resources	76,966	30,172	51,000
Other Current Assets	30,719	22,086	13,000
Current Liabilities	71,565	25,013	21,000
Working Capital	36,120	27,245	42,000
Total Assets	448,782	270,329	209,000
Total Liabilities	201,423	37,674	26,000
Weighted average number of shares outstanding	70,150,912	71,528,490	68,292,000
Dividends per share	NIL	NIL	

## About the Company

Kirkland Lake Gold's corporate goal is to create a self sustaining and long lived intermediate gold mining

company based in the historic Kirkland Lake Gold Camp. The Company plans to do this by increasing production capacity to 2,200 tons of ore per day in several stages, and by decreasing production costs by realizing the economies of scale associated with that higher production capacity. At the same time, the Company is committed to maintaining a significant exploration program aimed at developing and maintaining a property wide reserve and resource base sufficient to sustain a mine life of more than ten years for as long as practicable.

*Neither the Toronto Stock Exchange nor the AIM Market of the London Stock Exchange has reviewed and neither accepts responsibility for the adequacy or accuracy of this news release.*

### **Cautionary Note Regarding Forward-Looking Statements**

*This Press Release contains statements which constitute "forward-looking statements", including statements regarding the plans, intentions, beliefs and current expectations of the Company with respect to the future business activities and operating performance of the Company. The words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company, are intended to identify such forward-looking statements. Investors are cautioned that forward-looking statements are based on the opinions, assumptions and estimates of management considered reasonable at the date the statements are made, and are inherently subject to a variety of risks and uncertainties and other known and unknown factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include the Company's expectations in connection with the projects and exploration programs being met, the impact of general business and economic conditions, global liquidity and credit availability on the timing of cash flows and the values of assets and liabilities based on projected future conditions, fluctuating gold prices, currency exchange rates (such as the Canadian dollar versus the United States Dollar), possible variations in ore grade or recovery rates, changes in accounting policies, changes in the Company's corporate mineral resources, changes in project parameters as plans continue to be refined, changes in project development, construction, production and commissioning time frames, risks related to joint venture operations, the possibility of project cost overruns or unanticipated costs and expenses, higher prices for fuel, power, labour and other consumables contributing to higher costs and general risks of the mining industry, failure of plant, equipment or processes to operate as anticipated, unexpected changes in mine life, seasonality and unanticipated weather changes, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, and limitations on insurance, as well as those risk factors discussed or referred to in the Company's annual Management's Discussion and Analysis and Annual Information Form for the year ended April 30, 2012 filed with the securities regulatory authorities in certain provinces of Canada and available at [www.sedar.com](http://www.sedar.com). Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. Although the Company has attempted to identify important risks, uncertainties and factors which could cause actual results to differ materially, there may be others that cause results not be as anticipated, estimated or intended. The Company does not intend, and does not assume any obligation, to update these forward-looking statements except as otherwise required by applicable law.*

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