

# Elgin Mining Reports Second Quarter 2013 Results

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VANCOUVER, BRITISH COLUMBIA--(Marketwired - Aug 12, 2013) - [Elgin Mining Inc.](#) ("Elgin Mining" or the "Company") (**TSX:ELG**)(**TSX:ELG.WT**) reports its financial and operational results for the three months ended June 30, 2013. Elgin Mining owns and operates the Björkdal gold mine ("Björkdal") in Sweden, and holds the past-producing Lupin gold mine ("Lupin") and the Ulu gold property in Nunavut, Canada. All figures are in Canadian dollars (\$) or CAD) unless otherwise indicated.

A copy of the Company's financial statements and Management's Discussion and Analysis can be viewed on the Company's website at [www.elginmining.com](http://www.elginmining.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

## Second Quarter 2013 Highlights

- Gold production of 12,343 gold ounces;
- Cash cost per gold ounce sold<sup>(1)</sup> of US\$1,198;
- Cash cost per gold ounce produced of US\$1,134;
- Cash provided by operating activities was \$1.9 million;
- Net loss of \$10.6 million which included \$1.3 million in Lupin pre-development costs, \$4.3 million in after-tax impairment charges relating to mineral properties and investment in associate, and \$0.7 million in employee severance costs;
- Basic and diluted loss per share of \$0.07;
- Gold production and cash cost per ounce produced for the first six months of 2013 in line with previously stated guidance for this year (see "Outlook" section below);
- To address the rapid decline in the price of gold experienced in the current period, the Company undertook the following actions to manage the Company's existing treasury:
  - Significantly reduced the Company's cash burn outside of Björkdal by deferring all planned programs at Lupin for 2013, including placing the Lupin camp on care and maintenance indefinitely, and by significantly reducing all corporate general and administration costs through the reduction in staff and elimination of expenditures to essential levels needed to support the Company's key operations and projects; and
  - Initiated work on a revised flexible short-term mine plan for Björkdal that maximizes cash flow over the next 12 to 18 months that will be based on the optimum mix of open pit, underground and stockpile ore to the plant while minimizing sustaining capital expenditures without jeopardizing the long-term health of the open pit and underground, respectively;
- Received the mining permit for the Lake Zone at Björkdal in May 2013 which allowed the Company to process ore stockpiled from this zone in earlier quarters and to extend development drifts to commence further mining of these veins;
- Continued progress on the transition from contractor to owner mining in the underground through the receipt of further equipment deliveries and the hiring of more underground miners; and
- Released an updated mineral resource and reserve estimation for the Björkdal Mine in June 2013 showing an overall increase in reserves and resources, net of mine depletion, from the previous estimation released in March 2012.

<sup>(1)</sup> "Cash cost per gold ounce" is a non-IFRS measure. Refer to the "Non-IFRS Measures" section of the Company's Management's Discussion and Analysis for an explanation and reconciliation of this measure to the Company's financial statements.

Patrick Downey, President and CEO, stated, "We are encouraged by the Björkdal mine's improved operating performance in the second quarter with record gold production of 12,343 gold ounces, resulting in a 23% increase in gold ounces produced with an associated 16% decrease in per ounce cash cost when compared to the first quarter of 2013. Management believes the Björkdal mine will see further progress in future quarters in terms of higher head grades and reduction in both open pit and underground operating costs. Open pit and underground grade control initiatives are on-going and the underground transition from contractor to owner-operated mining in the last half of the year should help improve the economics of the

mine's operations over the longer-term.

"We have also intensified our efforts in improving cash flow in response to the recent and continued weakness in the gold price. We have already successfully reduced the monthly cash spend for non-Björkdal related activities and are working diligently at revising the short-term mine plans at Björkdal with the key objective of maximizing cash flow from the mine over the next 12 to 18 months. These actions today will ensure that the Company remains viable and well-positioned for any future turnarounds in market conditions."

## Liquidity and Capital Resources

	June 30, 2013	March 31, 2013
Cash and cash equivalents	\$ 8.2 million	\$ 11.5 million
Working capital	\$ 8.6 million	\$ 17.0 million
Gold inventory in concentrate	2,341 ounces	1,945 ounces
Long-term debt, non-current portion	\$ 3.2 million	\$ 0.6 million

The recent cash saving measures implemented by management will assist the Company's efforts in managing its existing treasury in this challenging market environment. Previously, the Company had indicated that it was in advanced discussions with potential lenders on a short-term credit facility. Management is currently evaluating its financing requirements in light of its recent actions to significantly curtail expenditures at its corporate office and Lupin operations, and to improve near term cash flows at Björkdal through possible adjustment to its short-term mine plans. As a result, the Company may decide to meet its liquidity needs through other alternatives.

As of June 30, 2013, the Company still has approximately US\$4.4 million available under its equipment loan facility secured from a Swedish bank in early 2013.

## Outlook

The Company's previously stated 2013 guidance for Björkdal's gold production, unit cash cost and capital expenditures is as follows:

- Gold production of between 45,000 to 49,000 gold ounces;
- Cash cost per ounce produced of between US\$1,040 to US\$1,145;
- Capital expenditures of US\$18.7 million; and
- SEK per USD currency exchange rate assumption of 6.50.

With the work of a new short term mine plan underway, the Company will likely revise the above guidance in terms of production, costs and capital expenditures at the Björkdal Mine for the remainder of 2013. The Company expects to finalize the new mine plan before the end of September 2013 and will provide an update at that time.

## Second Quarter 2013 Financial and Operational Summaries

*Due to the Company changing its fiscal year end from November 30 to December 31 in the previous fiscal year, the Company's results discussed below are for the three months ended June 30, 2013 with comparatives for the four months ended June 30, 2012.*

	For the three months ended June 30, 2013	For the four months ended June 30, 2012	For the six months ended June 30, 2013	For the seven months ended June 30, 2012
Gold ounces sold	11,945	13,744	22,589	24,494
Gold ounces produced	12,343	14,121	22,377	24,947
Revenue	\$ 14,277,157	\$ 21,138,219	\$ 31,013,363	\$ 39,074,867
Production costs, excluding depreciation and depletion	\$ 14,401,366	\$ 14,221,326	\$ 27,703,923	\$ 24,966,566

(Loss) income from mining operations	\$	(3,042,448 )	\$	4,936,627	\$	(2,083,249 )	\$	10,298,532
Exploration expense	\$	198,424	\$	3,068,633	\$	322,291	\$	3,172,938
Lupin pre-development	\$	1,315,266	\$	-	\$	3,820,829	\$	-
Net (loss) income	\$	(10,594,160 )	\$	1,539,478	\$	(14,193,044 )	\$	2,069,203
Net (loss) earnings per share								
- Basic	\$	(0.07 )	\$	0.01	\$	(0.10 )	\$	0.02
- Diluted	\$	(0.07 )	\$	0.01	\$	(0.10 )	\$	0.02
Cash flow (used in) provided by operating activities	\$	1,905,149	\$	747,614	\$	(939,054 )	\$	3,017,087
Cash and cash equivalents	\$	8,186,765	\$	16,546,990	\$	8,186,765	\$	16,546,990
Average realized gold price (USD per ounce)	\$	1,219	\$	1,571	\$	1,407	\$	1,628
Cash cost per gold ounce sold (USD per ounce)	\$	1,198	\$	1,071	\$	1,221	\$	1,054

## Björkdal Gold Mine - Skellefteå, Sweden

Operating Data	Four months					
	ended					
	Q2-2013	Q1-2013	Q4-2012	Q3-2012	June 30 2012	Q1-2012
Open Pit (tonnes)	100,807	121,912	128,965	139,128	193,238	155,728
Open Pit (gpt)	1.10	0.97	1.12	1.15	0.87	0.86
Underground (tonnes)	219,350	140,569	139,002	131,712	215,004	141,525
Underground (gpt)	1.51	1.50	1.65	1.37	1.45	1.59
Stockpile (tonnes)	2,730	32,674	38,859	57,507	24,188	20,242
Stockpile (gpt)	0.55	0.61	0.77	0.55	0.86	1.08
Tonnes milled	322,887	295,155	306,826	328,347	432,430	317,495
Plant throughput (tonnes per day)	3,548	3,280	3,335	3,569	3,545	3,489
Average plant head grade (gpt)	1.37	1.18	1.32	1.13	1.16	1.20
Average plant recovery rate	86.7 %	89.4 %	87.8 %	87.6 %	87.6 %	88.5 %
Gold (ounces)						
- Produced	12,343	10,034	11,401	10,460	14,121	10,826
- Sold	11,945	10,644	12,572	9,463	13,744	10,750
Average realized gold price (USD/oz)	\$ 1,219	\$ 1,618	\$ 1,608	\$ 1,800	\$ 1,571	\$ 1,700
Cash cost per gold ounce sold (USD/oz)	\$ 1,198	\$ 1,246	\$ 938	\$ 1,052	\$ 1,071	\$ 1,033
Cash operating margin per ounce sold (USD/oz)	\$ 21	\$ 372	\$ 670	\$ 748	\$ 500	\$ 667

Production Costs Data	Four months					
	ended					
	Q2-2013	Q1-2013	Q4-2012	Q3-2012	June 30 2012	Q1-2012
	SEK	SEK	SEK	SEK	SEK	SEK
Ore tonnes milled	322,887	295,155	306,826	328,347	432,430	317,495
Mining costs per ore tonne milled						
Open Pit	189	153	107	106	93	91
Underground	202	255	241	192	215	251
Stockpile	9	8	15	9	8	8
Average mining costs per ore tonne milled	196	186	156	123	149	157
Processing costs per ore tonne milled	48	64	63	47	52	56
G&A and other site costs per ore tonne milled	26	33	32	22	28	26
Total production costs per ore tonne milled	270	282	251	192	229	239
Average SEK per USD exchange rate	6.56	6.43	6.65	6.74	6.89	6.79
	USD	USD	USD	USD	USD	USD

## Mining costs per ore tonne milled

Open Pit	\$	28.80	\$	23.74	\$	16.15	\$	15.76	\$	13.47	\$	13.43
Underground	\$	30.84	\$	39.69	\$	36.28	\$	28.40	\$	31.17	\$	37.03
Stockpile	\$	1.30	\$	1.27	\$	2.29	\$	1.29	\$	1.20	\$	1.21
Average mining costs per ore tonne milled	\$	29.96	\$	28.85	\$	23.51	\$	18.30	\$	21.59	\$	23.17
Processing costs per ore tonne milled	\$	7.33	\$	9.88	\$	9.55	\$	6.90	\$	7.57	\$	8.18
G&A and other site costs per ore tonne milled	\$	3.91	\$	5.08	\$	4.76	\$	3.23	\$	4.07	\$	3.88
Total production costs per ore tonne milled	\$	41.20	\$	43.81	\$	37.82	\$	28.43	\$	33.23	\$	35.23

Gold production for Q2-2013 was 12,343 ounces which was 23%, or 2,309 ounces, higher than Q1-2013 gold production due to a 16% increase in head grade and a 9% increase in ore tonnes processed, offset by a 3% drop in the plant's recovery rate. The higher head grade in Q2-2013 was driven primarily by the processing of a greater proportion of underground ore (68% in Q2-2013 compared to 48% in Q1-2013) in place of lower grade stockpile and open pit ore, and by better open pit ore grades realized.

The greater quantity of underground feed was the result of processing ore from the Lake Zone that had been stockpiled in the previous quarter as the mine awaited the Lake Zone permit, the continued ramp up in stope tonnes mined which benefited from additional Company equipment and manpower, and the focus of the mining contractor towards more on-vein in lieu of capital development metres. In Q2-2013, the underground mine added new equipment and made further hires of underground miners as part of its transition toward owner mining.

The 9% increase in tonnes processed was due to an 8% higher average daily throughput rate as the plant did not encounter any significant downtime for repairs and maintenance in the current quarter. Plant throughput in Q1-2013 suffered from the longer-than-expected commissioning period of the new wet screen in the grinding circuit.

The plant's recovery rate in Q2-2013 has dropped below historical performance levels. Management is currently investigating the reasons behind this decrease, and will take corrective actions once the root causes are identified.

Open pit ore grades saw improvements in the current quarter from the last due to the mining of higher grade blocks.

Underground ore grades are still expected to improve in future quarters through more selective use and improved method of cable-bolting underground stopes, narrower on-vein development headings, more in-fill drilling, and better sampling and mapping protocols. During the current quarter, the Company commissioned its own in-fill core drill unit and continues to work through its remaining inventory of contractor cable-bolting stopes.

Cash cost per gold ounce sold for Q2-2013 was US\$1,198 per ounce, which was 4%, or US\$48 per ounce, lower than Q1-2013 cash cost per gold ounce sold of US\$1,246, due mainly to lower per ounce cash cost from higher head grades, lower overall per tonne operating costs and a weaker SEK currency in the current quarter.

Cash cost per gold ounce produced for Q2-2013 was US\$1,134, which was 16%, or US\$214, lower than Q1-2013 cash cost per gold ounce produced of US\$1,348 due to a 16% increase in head grade, a 4% decrease in per ore tonne operating costs, and a 2% weakening of the SEK against the USD.

Open pit mining costs of SEK 189 per ore tonne for Q2-2013 represented an increase of 24% over Q1-2013 costs of SEK 153 per ore tonne and were well-above levels from prior quarters. The higher per ore tonne mining costs in the open pit for the current quarter are attributable to trial testing of tighter drill and blast patterns resulting in higher contractor drilling and explosive costs, more availability of underground ore feed permitted the Company to mine less ore and move more waste in the open pit, leading to a higher strip ratio, and the spread of fixed open pit costs over fewer ore tonnes contributing to a higher per ore tonne unit cost.

Management is reviewing all input costs in the open pit and expects to reduce cost per tonne mined by reverting to previous drill and blast patterns and by other measures.

Underground mining costs per ore tonne were SEK 202 which was 21% lower than Q1-2013 per ore tonne costs of SEK 255. The lower per ore tonne mining costs in the current quarter were driven primarily by a two-fold increase in the number of underground stope tonnes mined (attributable to better productivity arising from the new mining equipment and personnel added to the Company's underground stoping operations), a greater percentage of lower-cost stope ore versus higher-cost on-vein development ore, and the spread of fixed underground costs over more ore tonnes mined, thereby lowering their per unit cost contribution.

Underground mining costs for both Q1-2013 and Q2-2013 were impacted by the amortization of contractor cable-bolting costs for stopes cable-bolted in late 2012 as these stopes were mined out in 2013.

### **Lupin Project, Canada**

All activities at Lupin have been suspended for the remainder of 2013 except for those necessary to maintain the property and its various permits in good standing. Excluding payouts of employee severance, the Company estimates that cash expenditures for expenses in the second half of 2013 will be below \$250,000. The Lupin camp was shut down in late April and will remain closed indefinitely.

The Lupin camp and infrastructure are in excellent condition and will allow Lupin to re-open expeditiously should market conditions and the price of gold, among other factors, improve to allow the Company to re-commence work.

### **Conference Call Details**

Elgin Mining will host a conference call on Tuesday, August 13, 2013 at 9:00 am (Eastern Time).

#### Live Dial-In Information

Toronto and International: 416-695-6616  
North America (Toll Free): 800-766-6630

#### Replay Call Information

Toronto and International: 905-694-9451 passcode 1289793  
North America (Toll Free): 800-408-3053 passcode 1289793

The conference call replay will be available from 2:00 pm (Eastern Time) on August 13, 2013, until 11:59 pm (Eastern Time) on August 27, 2013.

### **Elgin Mining Inc.**

Elgin Mining is a Canadian based company focused on production at the Björkdal gold mine in Sweden, and on advancing the Lupin gold mine, located in Nunavut, Canada, to a production decision. In addition, Elgin Mining's portfolio includes the Ulu gold project located approximately 155 kilometers north of the Lupin gold mine in Nunavut, Canada, a 29.5% interest in [Auracle Resources Ltd.](#), which is exploring the Mexican Hat property in Arizona, and an option to earn a 60% interest in [North Arrow Minerals Inc.](#)'s Contwoyto gold project located adjacent to the Lupin gold mine in Nunavut, Canada. Elgin Mining also selectively reviews opportunities to add advanced stage development projects to its portfolio.

For further information, please visit the Company's web site at [www.elginmining.com](http://www.elginmining.com).

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

This news release contains "forward-looking information" within the meaning of Canadian securities legislation and "forward-looking statements" within the meaning of the United States Private Securities

Litigation Reform Act of 1995. Except for statements of historical fact relating to the Company, information contained herein constitutes forward-looking statements, including any information as to the Company's strategy, plans or future financial or operating performance. Forward-looking statements are characterized by words such as "plan," "expect", "budget", "target", "project", "intend," "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur. 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 risks relating to variations in the mineral content within the material identified as mineral reserves and mineral resources from that predicted, changes in development or mining plans due to changes in logistical, technical or other factors, 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 metal prices and currency exchange rates, possible variations in ore grade or recovery rates, changes in accounting policies, changes in the Company's corporate resources, changes in project parameters as plans continue to be refined, changes in project development and production time frames, the possibility of project cost overruns or unanticipated costs and expenses, higher prices for fuel, steel, 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, unanticipated results of future studies, seasonality and unanticipated weather changes, costs and timing of the development of new deposits, success of exploration activities, successful completion of proposed acquisitions, permitting time lines, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and timing and possible outcome of pending litigation and labour disputes as well as those risk factors discussed or referred to in the Company's Annual Information Form dated March 22, 2013, a copy of which is filed on SEDAR at [www.sedar.com](http://www.sedar.com). Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended.

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 or management's estimates, assumptions or opinions should change, except as required by applicable law. The reader is cautioned not to place undue reliance on forward-looking statements. The forward-looking information contained herein is presented for the purpose of assisting investors in understanding the exploration and development plans and objectives and may not be appropriate for other purposes.

## Contact

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