Elgin Mining Inc. Reports Third Quarter 2013 Results

12.11.2013 | Marketwired

VANCOUVER, Nov 12, 2013 - <u>Elgin Mining Inc.</u> (TSX:ELG) (TSX:ELG.WT) ("Elgin Mining" or the "Company") reports its financial and operational results for the three and nine months ended September 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 or on SEDAR at www.sedar.com.

Third Quarter 2013 Highlights

- Gold production of 10,751 gold ounces;
- Cash cost per gold ounce sold¹ of US\$1,119;
- Cash cost per gold ounce produced of US\$1,127;
- Cash used in operating activities was \$0.4 million;
- Net loss of \$3.1 million which included \$0.6 million in Lupin care and maintenance and \$0.6 million in impairment charges recognized in the quarter;
- Basic and diluted loss per share of \$0.02;
- Completed a private placement on September 13, 2013 for gross proceeds of \$2.95 million by issuing 24.6 million units at \$0.12 per unit. Each unit consisted of one common share of the Company and one-half of a warrant with each whole warrant exercisable into one common share at a price of \$0.20 for a period of two years;
- Finalized an 18-month bridge loan facility for \$5.0 million ("Bridge Loan") on September 25, 2013 with Sprott Resource Lending Partnership. The Bridge Loan bears interest at 10% per annum payable monthly with principal due at maturity on March 25, 2015;
- Further progress on the transition from contractor to owner mining in the underground at the Björkdal mine with the receipt of all remaining equipment deliveries, and the on-going orientation and training of the new underground mining crews. The current mining contractor remained on-site to the end of October 2013 to ensure an orderly transition and as of November 1, all mining and development are being executed by Björkdal employees;
- Commenced procedures in the open pit to reduce cost per tonne moved and ore tonne costs which had been negatively affected by a change in drill and blast patterns. This transition
- Completed a preliminary 2014 mine plan for the Björkdal mine based on a mix of ore from the open pit, underground and stockpiles that will maintain all-in cash costs below US\$1,200 per ounce during this current period of lower gold prices; and
- Implemented further cost cutting measures at head office and at Lupin where site support activities have been reduced to minimum levels and all site expenditures have been deferred into later years wherever possible.

¹ "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, commented, "The third quarter was the start of a pivotal period for Björkdal in improving the long-term economics of the mine and I am pleased by the progress shown to date. Starting in the fourth quarter, we are already seeing lower unit costs, higher grades and better planning in the underground as the mine transitions to full owner mining. Training of the new underground miners is on-going and productivity during this initial ramp-up period has exceeded our early expectations. Indicative of the improvements is the fourth quarter production to November 11, 2013 which stood at 6,064 gold ounces from the processing of 136,672 tonnes at an average head grade of 1.57 grams per tonne ("gpt"). This production has been achieved despite four lost days of throughput in October/November 2013 for the plant's annual scheduled maintenance. The ore feed to the plant was an approximate equal mix of open pit and underground ore. It should also be noted that the average stope head grade from underground improved to

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2.27 gpt in October and has been above that grade in November. This gives us every confidence that our 2014 mine plan can be achieved and if we continue to see improved underground productivities, we may not have to rely on any stockpile ore as mill feed, thereby increasing our production.

In the open pit, mine personnel continued work to improve the cost structure by reverting to the previous lower-cost drill and blast patterns and by treating more lower-grade material identified as ore rather than waste. With the aforementioned operating improvements and the majority of the 2013 capital expenditures behind it with delivery of the remaining underground mining equipment in the third quarter, we believe Björkdal is well-positioned to generate significant free cash flow in the current gold price environment."

Outlook

The Company's updated 2013 guidance for its Björkdal mine is:

- Gold production maintained on the bottom end at 45,000 ounces but top end of range reduced from 49.000 to 47,000 ounces;
- Cash cost per ounce produced of between US\$1,125 to US\$1,150 (previously US\$1,040 to US\$1,145 per ounce);
- Capital expenditures of US\$14.2 million (previously US\$18.7 million); and
- SEK per USD currency exchange rate assumption of 6.50 (no change).

To September 30, 2013, year-to-date cash cost per ounce produced was US\$1,195 and year-to-date capital expenditures were US\$12.0 million. The Björkdal mine expects significantly reduced per ounce cash cost and capital expenditures for the final quarter of 2013 and into 2014.

Liquidity and Capital Resources

	September 30, 2013	June 30, 2013
Cash and cash equivalents	\$13.0 million	\$8.2 million
Working capital	\$14.5 million	\$8.6 million
Gold inventory in concentrate	2,626 ounces	2,341 ounces
Long-term debt, non-current portion	\$8.6 million	\$3.2 million

Third 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 nine months ended September 30, 2013 with comparatives for the ten months ended September 30, 2012.

	For the three	For the three	For the nine	For the ten
	months ended	months ended	months ended	months ended
	September 30,	September 30,	September 30,	September 30,
	2013	2012	2013	2012
Gold ounces sold	10,464	9,463	33,053	33,956
Gold ounces produced	10,751	10,460	33,128	35,407
Revenue	\$ 13,385,430	\$ 16,450,682	\$ 44,398,793	\$ 55,525,549
Production costs, excluding depreciation and depletion	\$ 11,213,999	\$ 9,429,823	\$ 38,917,922	\$ 34,396,389
(Loss) income from mining operations	\$ (354,061)	\$ 5,792,528	\$ (2,437,310)	\$ 16,091,060
Exploration expense	\$ 32,479	\$ 6,389,051	\$ 354,770	\$ 9,561,989
Lupin care and maintenance	\$ 632,922	\$ -	\$ 4,453,751	\$ -
Net loss	\$ (3,081,631)	\$ (2,820,847)	\$ (17,274,675)	\$ (751,644)
Net loss per share				
- Basic	\$ (0.02)	\$ (0.02)	\$ (0.12)	\$ (0.01)
- Diluted	\$ (0.02)	\$ (0.02)	\$ (0.12)	\$ (0.01)
Cash flow (used in) provided by operating activities	\$ (364,485)	\$ (1,220,266)	\$ (1,303,539)	\$ 1,796,821
Cash and cash equivalents	\$ 13,034,760	\$ 13,113,229	\$ 13,034,760	\$ 13,113,229
Average realized gold price (USD per ounce)	\$ 1,283	\$ 1,800	\$ 1,368	\$ 1,676
Cash cost per gold ounce sold (USD per ounce)	\$ 1,119	\$ 1,052	\$ 1,186	\$ 1,054

Björkdal Gold Mine - Skellefteå, Sweden

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Total production costs per ore tonne milled

						Four	
						months	
						ended	
Operating Data	O3-2013	O2-2013	O1-2013	Q4-2012	O3-2012	June 30,	Q1-2012
Open Pit (tonnes)	139,385			128,965			
Open Pit (gpt)	0.81	1.10	0.97	1.12	1.15	0.87	0.86
Underground (tonnes)		219,350	140,569		131,712		
Underground (gpt)	1.45	1.51	1.50	1.65	1.37	1.45	1.59
Stockpile (tonnes)	4,490	2,730	32,674	38,859	57,507	24,188	20,242
Stockpile (gpt)	0.65	0.55	0.61	0.77	0.55	0.86	1.08
Tonnes milled				306,826			
Plant throughput (tonnes per day)	3,570	3,548	3,280	3,335	3,569	3,545	3,489
Average plant head grade (gpt)	1.17	1.37	1.18	1.32	1.13	1.16	1.20
Average plant recovery rate	87.3%	86.7%	89.4%	87.8%	87.6%	87.6%	88.5%
Gold (ounces)	07.576	00.7 /6	03.476	07.076	07.076	07.076	00.576
- Produced	10,751	12,343	10,034	11,401	10,460	14,121	10,826
- Sold	10,751	11,945	10,644	12,572	9,463	13,744	10,820
	,	,	,	,	•	,	
Average realized gold price (USD/oz)	\$ 1,283	\$ 1,219	\$ 1,618		\$ 1,800	\$ 1,571	\$ 1,700
Cash cost per gold ounce sold (USD/oz)	\$ 1,119	\$ 1,198	\$ 1,246	\$ 938	\$ 1,052	\$ 1,071	\$ 1,033
Cash operating margin per ounce sold (USD/oz)	\$ 164	\$ 21	\$ 372	\$ 670	\$ 748	\$ 500	\$ 667
						Four	
						months	
						ended	
Production Costs Data	Q3-2013	Q2-2013	Q1-2013	Q4-2012	Q3-2012	June 30, 2012	Q1-2012
-	SEK	SEK	SEK	SEK	SEK	SEK	SEK
Ore tonnes milled	_	_	_	306,826	_	_	_
Mining costs per ore tonne milled	020,	022,00.	200,.00	000,020	020,0	.02, .00	0,.00
Open Pit	127	189	153	107	106	93	91
Underground	201	202	255	241	192	215	251
Stockpile	9	9	8	15	9	8	8
Average mining costs per ore tonne milled	167	196	186	156	123	149	157
Processing costs per ore tonne milled	42	48	64	63	47	52	56
G&A and other site costs per ore tonne milled	22	26	33	32	22	28	26
Total production costs per ore tonne milled	231	270	282	251	192	229	239
Total production costs per ore torine milied	231	210	202	201	192	229	239
Average SEK per USD exchange rate	6.55	6.56	6.43	6.65	6.74	6.89	6.79
	USD	USD	USD	USD	USD	USD	USD
Mining costs per ore tonne milled							
Open Pit	\$ 19.33	\$ 28.80	\$ 23.74	\$ 16.15	\$ 15.76	\$ 13.47	\$ 13.43
Underground	\$ 30.65	\$ 30.84	\$ 39.69	\$ 36.28	\$ 28.40	\$ 31.17	\$ 37.03
Stockpile	\$ 1.30	\$ 1.30	\$ 1.27	\$ 2.29	\$ 1.29	\$ 1.20	\$ 1.21
Average mining costs per ore tonne milled	\$ 25.44	\$ 29.96	\$ 28.85	\$ 23.51	\$ 18.30	\$ 21.59	\$ 23.17
Processing costs per ore tonne milled	\$ 6.36	\$ 7.33	\$ 9.88	\$ 9.55	\$ 6.90	\$ 7.57	\$ 8.18
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Gold production for Q3-2013 was 10,751 ounces which was 13%, or 1,592 ounces, lower than Q2-2013 gold production due to a 15% decrease in head grade, partially offset by a 2% increase in ore tonnes processed and a 1% improvement in the process plant recovery rate. The lower head grade in Q3-2013 was driven by processing a lower mix of underground ore (56% in Q3-2013 compared to 68% in Q2-2013) which was replaced by lower grade open pit ore, and by lower realized grades in both the underground and open pit. The quantity of underground ore feed in Q2-2013 was high due to the processing of Lake Zone ore stockpiled in previous quarters upon receipt of the mining permit in May and from the ramp-up in stope tonnes mined due to additional Company equipment and manpower. For Q3-2013, the quantity of underground ore feed was impacted by the transition to owner-operated mining as the mine began training of the new underground miners in the quarter and reduced the number of on-vein development metres mined by the underground mining contractor starting in September.

\$35.23 \$41.20 \$43.81 \$37.82 \$28.43 \$33.23 \$35.23

The drop in open pit grades in Q3-2013 was the result of further drill and blast pattern changes that were unsuccessful in improving grades. Management also determined in the quarter that material previously treated as waste was actually lower grade material which would reduce the strip ratio and lower per ounce cash cost in the open pit on a go-forward basis. The plant commenced treating this material starting in September. Underground grades were slightly lower in the guarter due to mine sequencing but are expected

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to increase in future quarters as the Company focuses its mining on higher grade areas and reduces its ore grade dilution through the use of smaller sized mining equipment and better mine planning practices.

Cash cost per gold ounce sold for Q3-2013 was US\$1,119 per ounce, which was 7%, or US\$79 per ounce, lower than Q2-2013 cash cost per gold ounce sold of US\$1,198 due mainly to lower operating costs per ore tonne in the open pit and plant. In the open pit, the strip ratio declined from 5.6:1 in Q2-2013 to 4.8:1 in Q3-2013 and is expected to decline further in upcoming quarters. Operating costs on a per tonne mined (waste and ore) basis were also lower due to decreases in unit costs for drill, blast and special works, and lower grade control drilling costs assigned to expense in the quarter. In the plant, per tonne operating costs were low due to excellent availability and minimal repairs during the quarter.

Cash cost per gold ounce produced for Q3-2013 was US\$1,127 which reflected a 14% drop in per ore tonne operating costs, a 1% increase in plant recovery rate offset by a 15% drop in head grade from Q2-2013. The Q2-2013 cash cost per gold ounce produced was US\$1,134 which was 1%, or US\$7, higher than Q3-2013.

Open pit mining costs of SEK 127 per ore tonne for Q3-2013 showed an improving trend as the mine worked to contain costs by taking steps starting in September to revert to the previous wider-spaced drill and blast patterns, and to treat lower grade material as ore rather than waste. Management expects lower per ore tonne costs in Q4-2013 as these steps take hold for an entire quarter.

Underground mining costs per ore tonne of SEK 201 for Q3-2013 was comparable to the per ore tonne costs of SEK 202 in Q2-2013. However, management expects mining costs per ore tonne to drop from current levels on a sustained basis upon the full ramp-up of owner-operated mining of underground ore. The mine will also mine a greater proportion of lower-cost stope ore versus development ore as the Company completes training of its new mining crews and commences work based on the new mine plan

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. During the quarter, the Company reduced its remaining Lupin workforce down to one employee who will oversee the site during this period of care and maintenance. Management has also decided to defer certain environmental studies and infrastructure upgrades planned for in the last half of 2013 into later years as a cash savings measure and to provide management with more time to examine possible future options for Lupin. 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 Wednesday, November 13, 2013 at 9:00 am (Eastern Time).

Live Dial-In Information

Toronto and International: 416-340-8527 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 November 13, 2013, until 11:59 pm (Eastern Time) on November 27, 2013.

Elgin Mining Inc.

Elgin Mining is a Canadian based company focused on production at the Björkdal gold mine in Sweden. In addition, Elgin Mining's portfolio includes the Lupin and Ulu gold projects located in Nunavut, Canada.

For further information, please visit the Company's web site at www.elginmining.com.

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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. 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

Elgin Mining Inc.

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