

Orosur Mining Inc. Q3 Results and Exploration Update in Uruguay and Chile

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[Orosur Mining Inc.](#) ('OMI', 'Orosur', or 'the Company') (TSX:OMI) (AIM:OMI), the South American-focused gold producer and explorer is pleased to announce the results for the fiscal quarter ended February 28, 2014 and an update on exploration.

Highlights

- Gold production for the quarter of 13,218 oz in line with guidance (Q3 2013 18,401 oz).
- US\$818/oz cash operating costs better than planned (H2 2014 guidance of US\$850 - US\$1,000/oz) and 18% lower than Q3 2013 of US\$999/oz.
- Average YTD operating cash costs of \$776/oz are 29% lower than FY 2013 (US\$ 1,093/oz).
- Average gold price received in the quarter of US\$1,254/oz (US\$1,653 Q3 last year).
- Net Profit before tax of US\$0.1M (compared with US\$3.9M Q3 2013).
- Cash Flow from operations of US\$3.4M (compared with US\$8.0M Q3 2013).
- Despite current gold prices, Orosur's net cash position has increased by US\$6.1M in the first nine months of this fiscal year with a current cash balance of US\$9.3M and total debt of US\$6.5M.
- Successful startup of the new Vaca Muerta open pit mine at lower costs than expected due to favourable ground conditions. Reoptimized mineral reserves allowed OMI access to deeper material with a higher grade, and is expected to add approximately 4k oz of additional reserves.
- Underground exploration drilling at Arenal was successful during the quarter, targeting three different zones. Drilling is expected to continue during Q4.
- A systematic low cost surface exploration programme was conducted to identify new mineralization along the historically poorly defined South East extension of the high grade granulite basement (the extension to the Santa Teresa, San Gregorio and Arenal shear zone). As a result of this work, the zone has been delineated within an approximate 200m wide corridor, along an extension of approximately 10km.
- At Quebrada Pantanillo, the Company continued surface delineation work including mapping, a groundmagnetic 3D inversion model, spectrometry, geochem reinterpretation and three CSAMT sections (with Southernrock Geophysics). The resulting data consistently supports the existence of a high sulphidation epithermal system at Quebrada Pantanillo. A section of 26m, from 98-124m, grading @ 0.6 g/t Au from a previously drilled peripheral diamond core hole supports the idea that the concealed Quebrada Pantanillo epithermal system is potentially mineralized.
- The Company completed a structural interpretation study in Anillo, performed by Nick Olivier of Holcombe Coughlin and Olivier & Associates ('HCO'), which provides an understanding of the controls on the main geologic events and has defined six domains and several new targets.

Ignacio Salazar, CEO of the Company said:

"Our team continues to work hard in all areas of our business and I am delighted to once again report positive quarterly results. In a challenging gold price environment and in the Quarter we had already anticipated as the most challenging of the year, we are pleased to deliver this strong operational performance.

At the same time, we are devoting capital and key resources to extending the mine life, specifically at Arenal and Vaca Muerta, while also generating new projects to further add resources and reserves at San Gregorio.

Our systematic low cost surface exploration program is delivering promising results, delineating the historically poorly defined south-east extension of the San Gregorio-Arenal mineralized corridor along a 10km strike in Uruguay, as well as in Chile, suggesting the existence of a high sulphidation epithermal system in Quebrada Pantanillo, and advancing the Anillo project. The Company continues to strive for further achievements."

Operational & Financial Summary ¹	Quarter	Quarter			Year to Date		
		Q3 '13/14	Q3 '12/13	Diff	YTD 13/14	YTD 12/13	Diff
Operating Results							
Gold produced	Ounces	13,218	18,401	(5,183)	44,898	47,822	(2,924)
Operating Cash cost ³	US\$/oz	818	999	(181)	776	1,093	(317)
Average price received	US\$/oz	1,254	1,653	(399)	1,297	1,646	(349)
Financial Results							
Revenue	US\$ '000	16,741	30,033	(13,292)	60,061	80,535	(20,434)
Net income before tax	US\$ '000	84	3,853	(3,769)	4,710	7,390	(2,680)
Cash flow from operations ²	US\$ '000	3,450	8,029	(4,579)	17,044	16,552	492
Cash & Debt at the end of the period – Summary							
Cash balance	US\$ '000	9,257	8,817	440	9,257	5,633	3,624
Total Debt	US\$ '000	6,502	6,808	(306)	6,502	8,995	(2,493)
Cash net of debt	US\$ '000	2,755	2,009	746	2,755	(3,362)	6,117

¹ Results are based on IFRS and expressed in US dollars

² Before non-cash working capital movements

³ Operating cash cost is total cost discounting royalties and capital tax on production assets.

Enhanced outlook for fiscal 2014

Based on the results achieved year-to-date and the consolidation of the changes introduced positively affecting the remainder of the year, the Company maintains its enhanced outlook for fiscal 2014 with a production guidance of 55,000 - 60,000 oz, at a reduced operating cash costs guidance of US\$800 - US\$875/oz.

Q3 Production and Cash Costs

The operational improvements and cost reductions introduced since May 2013 continued to deliver solid production and reduced cash costs in the third quarter, in the same positive vein as during the first half of fiscal 2014. Compared to H1, Orosur plans to mine a higher proportion of the ore from open pits like Vaca Muerta in H2 and anticipates the split of open pit to Arenal underground mined ore to be approximately 30%:70% compared to H1 when the ratio was approximately 15%:85%.

Arenal's relative higher grade and lower unit cash costs explain why H1 average operating cash costs of US\$758/oz were lower than our 2014 FY guidance of US\$800 - 875/oz. Operating cash costs for Q3 of US\$818/oz are better than planned and reflect the successful startup of the Vaca Muerta open pit mine, which was aided by savings in mining costs and explosives, in part due to softer ground conditions.

		H1 Actual	Full year Outlook	H2 Outlook	Q3 Actual
Gold produced	Ounces	31,680	55,000-60,000	23,320-28,320	13,218
Cash Operating cost	US\$/oz	758	800-875	850-1,000	818

Production in Q4 is expected to be mined from Arenal underground and Vaca Muerta open pit. The Company maintains its enhanced production forecast for FY2014 of 55,000 to 60,000 oz of gold at operating cash costs of approximately US\$800 - \$875/oz of gold. This is equivalent to a reduction of approximately 25% from the US\$1,093 per ounce operating cash costs reported for FY2013.

Q3 Financial Summary

The average gold price received in the quarter was US\$1,254/oz, compared to US\$1,653 in Q3 2013 (a reduction of US\$399/oz). This was the lowest quarterly gold price average in the fiscal year. This reduction was in part offset by a reduction of US\$181/oz in operating cash costs (\$818/oz vs \$999/oz). Gold produced in the quarter was approximately 5 Koz less than Q3 2013. During the current quarter, the Company mined the first phase of Vaca Muerta with higher stripping ratios and lower grades. Additionally, OMI changed the sequence of the stopes mined in Arenal Underground to account for the new CRF pillar-less mining method currently being implemented, as previously announced. As a result, the Company generated a small profit

before tax of US\$84,000, compared to last year Q3 profit of US\$3.9M. Cash flow from operations before working capital investment for the quarter was US\$3.5M compared to US\$8M last year. The Company is expecting to mine from better grade areas and stopes in Vaca Muerta and Arenal during Q4.

The Company invested US\$1.8M in capital projects and US\$1.1M in exploration for the quarter compared to US\$4.6M and US\$2.0M respectively in Q3 2013. The decrease in capital expenditure is as a result of less development of the now producing Arenal underground mine. The company's cash balance at February 28, 2014 was \$9.3M compared with \$5.6M at May 31, 2013.

Q3 Exploration and Development

Vaca Muerta – Successful startup of the new Vaca Muerta open pit mine, situated ~80 km from the San Gregorio plant, resulted in production during the quarter at lower than expected costs due to favourable ground conditions and reduced explosives requirements. At Vaca Muerta, the results of an infill drilling campaign during Q2 increased mineral reserves by 4,189 oz (from 11,642 oz to 15,831 oz). The Company has commissioned Coffey Mine to re-optimize the mineral reserves calculations using a US\$1200/oz gold price during Q3. The results of this work have allowed OMI access to a deeper material with higher grade and is expected to add approximately 4 Koz of additional mineral reserves and extend the Vaca Muerta operation for a further four months into FY2015.

Recovery of Transverse Stopping Pillars in Arenal Deeps – Successful pre-operational work for pillar-less mining using Cemented Rock Fill (CRF) at the Arenal Deeps mine includes a cement contract having been awarded to a local major cement group. The first stope planned to utilise CRF (the TS-182-E3) is currently being mined and is scheduled to be filled with cemented rock from April 2014. The new underground mixing station is already at the San Gregorio mine site.

Uruguay Brownfield - Arenal

Brownfield exploration during the quarter has been focused on potential for additional resources below and along strike of the Arenal Deeps underground mine. Exploratory drilling started from underground platforms targeting three different zones. Management believes these zones have the potential to host additional mineralization of approximately 15,000 oz (on top of the 7,000 oz of potential resources identified in Q2 above the 220m level). Drilling is expected to continue during Q4.

HOLE ID	FROM (meters)	TO (meters)	INTERVAL (meters)	Au (g/t)
DDHUG14N220-06	41.6	43.4	1.8	3.1
DDHUG14N220-06	56.5	62.0	5.5	1.4
DDHUG14N220-06	65.5	66.4	0.9	1.4
DDHUG14N220-06	67.4	68.3	0.9	2.8
DDHUG14N220-06	70.2	72.0	1.8	3.2
DDHUG14N220-07	0.0	2.0	2.0	2.4
DDHUG14N220-07	19.5	20.6	1.1	1.8
DDHUG14N220-07	60.2	65.9	5.6	5.3
DDHUG14N220-07	85.1	85.9	0.8	2.0
DDHUG14N220-09	6.1	7.1	1.0	1.6
DDHUG14N220-09	98.3	101.5	3.1	3.8

* Not true width

Uruguay Satellite Projects

Our present advanced satellite projects in Uruguay are Laureles and Veta A Deeps. The Company is advancing Laureles to development within Q4. The project has currently a potential geological resource of 15,000 oz @ 0.6 g/t cut off.

Veta A Deeps is the underground extension of the ore mined in the past at Veta A open pit. Positive historic intercepts at depth lead to the undertaking of a 330m diamond drilling campaign during the quarter. The drilling confirmed the mineralization at depth. The drilling results in the table below show that mineralization

continues at least 140m down dip and to the south. The core logging confirmed that these areas are shear zone related. The Company is considering an exploration underground gallery to define new resources in the south west area of the deposit.

HOLE ID	FROM (meters)	TO (meters)	INTERVAL (meters)	Au (g/t)
VADD13-001	76.9	77.7	0.8	1.4
VADD13-002	96.9	100.8	3.9	9.2
VADD13-003	107.5	116.4	8.9	7.5
VADD13-004	160.0	164.1	4.1	2.3
VADD13-005	139.6	143.5	3.9	8.3

* Not true width

Uruguay Greenfield Exploration

The Company's exploratory efforts in recent years were focused mainly on intrusive mid and low potential domains typically located in close proximity to the processing plant at San Gregorio. Whilst this covered the short term needs of the Company to provide feedstock to the plant, it did not provide Orosur with the capacity to add substantial additional resources for the long term. Orosur's district exploration efforts were altered early in FY 2014 to focus primarily on the high grade granulite basement (which is the extension to the Santa Teresa, San Gregorio and Arenal shear zone). A program of systematic low cost surface exploration has been undertaken to identify new mineralization along the historically poorly defined and mostly hidden South East extension of this shear zone. As a result of this work, during Q3 the zone has been delineated within an approximate 200 m wide corridor, along an extension of approximately 10km.

Although there were some historical projects in this area, the drilling was not associated with the currently identified corridor, but to indirect evidence of possible mineralization (like, for example, surface expression of hydrothermal activity as quartz ledges). As a result of the current exploration work, six initial targets have been identified along this corridor. A first pass drilling programme of approximately 2,000m is planned to commence during Q4 and continue into FY 2015.

Additionally, in the Sobresaliente District, 8km north of San Gregorio, the Company identified two close sub parallel zones of about 700m x 150m each, with high gold in soil anomalies and rock samples. Trenches have been completed with positive results and geophysics are planned to be carried out during Q4.

Chile

In Chile, the activities during Q3 were concentrated in Quebrada Pantanillo and Anillo surface exploration. The goal is to acquire valuable data and information that contributes to advancing the current exploration models at minimal cost.

Pantanillo Project

The Pantanillo Norte Porphyry Au-Cu system, contains Measured + Indicated Mineral Resources of 1.05 Moz Au @ 0.69 g/t Au at 0.3 g/t Au cut-off. The objective of the Company is to identify both high sulphidation and additional porphyry type targets in the area.

During the quarter, at Quebrada Pantanillo the Company continued the surface delineation including mapping, a groundmagnetic 3D inversion model, spectrometry, rock geochem reinterpretation and three CSAMT sections (with Southernrock Geophysics). The resulting data consistently suggests the existence of a high sulphidation epithermal system at Quebrada Pantanillo. A section of 26m, from 98-124m, grading @ 0.6 g/t gold in a historic peripheral diamond drill core supports the concept that a concealed Quebrada Pantanillo epithermal system is potentially mineralized. The oxidation column could be developed to 250-300m depth, according RC drilling immediately to the north at the Oro 52 target.

Ground magnetic data was also processed with the Porphyry Filter tool, provided by Southernrock Geophysics, and successfully detected the Pantanillo Norte porphyry gold deposit and additional porphyry gold type targets have been generated in the area. The Porphyry Filter process is an automated detection of porphyry gold-copper signatures from magnetic survey data, as well as a tool for aiding in target prioritization decisions.

Anillo Project

The Company completed a structural interpretation study on the area, performed by Nick Olivier of HCO, which provides an understanding of the controls on the main geologic events and has defined six domains and several new targets. This work follows on the drilling campaign completed in October 2013 and is expected to allow the Company to define new drilling targets.

During Q3, the Company also continued surface mapping and sampling, focused on the south extension and the Western border of the property, aimed at improving the geological understanding of the land package.

Qualified Person's Statement

The information presented in this press release has been reviewed by Walter Muehlebach, GM Exploration of OMI and by Francisco Castillo, GM San Gregorio and they are both considered to be in compliance with N.I. 43-101 reporting guidelines. Mr. Muehlebach is a graduate in Geology of the Universidad Católica del Norte (Chile) and a member of the Chilean Comisión Calificadora de Competencias en Recursos y Reservas Mineras, and has 23 years of experience in the field of mineral exploration. Mr. Castillo is a graduate in Mining Engineering of the Universidad de Santiago de Chile and a member of the Chilean Comisión Calificadora de Competencias en Recursos y Reservas Mineras, and has 12 years of professional experience.

Forward Looking Statements

All statements, other than statements of historical fact, contained or incorporated by reference in this news release, including any information as to the future financial or operating performance of the Company, constitute "forward-looking statements" within the meaning of certain securities laws, including the "safe harbour" provisions of the Securities Act (Ontario) and the United States Private Securities Litigation Reform Act of 1995 and are based on expectations estimates and projections as of the date of this news release. There can be no assurance that such statements will prove to be accurate, such statements are subject to significant risks and uncertainties, and actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements include, without limitation success of exploration activities; permitting time lines; the failure of plant; equipment or processes to operate as anticipated; accidents; labour disputes; requirements for additional capital title disputes or claims and limitations on insurance coverage. The Company disclaims any intention or obligation to update or revise any forward looking statements whether as a result of new information, future events and such forward-looking statements, except to the extent required by applicable law.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

About Orosur Mining Inc.

[Orosur Mining Inc.](#) is a fully integrated gold producer and exploration company focused on identifying and developing gold projects in South America. The Company operates the only producing gold mine in Uruguay (San Gregorio), and has assembled an exploration portfolio of high quality assets in Uruguay and Chile.

The Company is quoted in Canada (TSX:OMI) and London (AIM:OMI).

For more information please visit www.orosur.ca

– Financial Statements Follow –

Orosur Mining Inc.

Unaudited Condensed Interim Consolidated Statement of Financial Position

Thousands of United States Dollars, except where indicated

	Note Ref.	As at February 28, 2014 (\$)	As at May 31, 2013 (\$)
Assets			
Cash and cash equivalents		9,257	5,633
Accounts receivables and other assets	3	3,405	3,776
Inventories	4	14,843	15,715
Total current assets		27,505	25,124
Property plant and equipment and development costs	5	38,177	47,321
Exploration and evaluation costs	6	35,598	31,686
Deferred income tax assets	11	2,920	5,305
Restricted cash		259	332
Total non-current assets		76,954	84,644
Total Assets		104,459	109,768

Liabilities and Shareholders' Equity

Trade payables and other accrued liabilities	3	13,377	16,665
Financial debt	16	3,950	4,172
Environmental rehabilitation provisions	7	1,305	-
Total current liabilities		18,632	20,837
Financial debt		2,552	4,823
Environmental rehabilitation provisions	7	2,598	6,148
Total non-current liabilities		5,150	10,971
Total liabilities		23,782	31,808
Capital stock	8	55,184	55,184
Warrants		-	276
Contributed surplus		5,766	5,535
Retained earnings		19,727	16,965
Total shareholders' equity		80,677	77,960
Total liabilities and shareholders' equity		104,459	109,768

Approved on behalf of the Board of Directors

Ignacio Salazar Chief Executive Officer

Marcelo Martinez Acting in the capacity of
Chief Financial Officer

Orosur Mining Inc.

Unaudited Condensed Interim Consolidated Statements of Income/ (Loss) and Comprehensive income / (Loss)

Thousands of United States Dollars, except for earnings per share amounts

	Note Ref.	Three months ended February 28,		Nine months ended February 28,	
		2014 (\$)	2013 (\$)	2014 (\$)	2013 (\$)
Sales		16,741	30,033	60,061	80,535
Cost of sales	18	(16,007)	(24,809)	(52,100)	(68,612)
Gross profit		734	5,224	7,961	11,923
Corporate and administrative expense		(1,147)	(925)	(2,879)	(3,525)
Exploration expenses and exploration write off		(318)	(180)	(1,208)	(596)
Other income		918	7	1,044	398
Finance cost	17	(148)	(146)	(268)	(393)
Finance income	17	1	(2)	3	5
Derivative (loss) gain	13	0	0	0	41
Net foreign exchange (loss) gain		44	(125)	57	(463)
Profit/ (Loss) before income tax		(650)	(1,371)	(3,251)	(4,533)
		84	3,853	4,710	7,390

Recovery (provision) for income taxes	11	(99)	(359)	(2,224)	(395)
Total income/ (Loss) and comprehensive income/ (Loss) for the period		(15)	3,494	2,486	6,995
Earnings/ (Loss) per common share					
Basic	15	(0.00)	0.04	0.03	0.09

Orosur Mining Inc.

Unaudited Condensed Interim Consolidated Statements of Cash Flows

Thousands of United States Dollars, except where indicated

	Nine months ended February 28, 2014 (\$) 2013 (\$)	
Net inflow (outflow) of cash related to the following activities		
Cash flow from Operating activities		
Net income/ (Loss) for the period	2,486	6,995
<i>Adjustments to reconcile net income to net cash provided from operating activities:</i>		
Depreciation	12,539	12,186
Exploration and evaluation expenses written off	67	0
Fair value of derivatives	0	(41)
Accretion of asset retirement obligation	57	57
Deferred income tax assets	2,385	(2,064)
Stock based compensation	232	59
Gain on sale of property, plant and equipment	(705)	(517)
Others	(18)	(123)
Subtotal	17,044	16,552
<i>Changes in operating assets and liabilities</i>		
Accounts receivables and other assets	425	(180)
Inventories	953	(452)
Trade payables and other accrued liabilities	(3,289)	(4,218)
Net cash generated from operating activities	15,133	11,702
Cash flow from financing activities		
Proceeds from the issue of share options	0	70
Proceeds from the issue of shares in a private placement	0	0
Loans received	0	3,532
Loans payment	(2,290)	(32)
Net cash from financing activities	(2,290)	3,570
Cash flow from investing activities		
Purchase of property, plant and equipment and development costs	(3,621)	(16,133)
Environmental tasks	(2,302)	(224)
Loans collected (granted)	0	900
Proceeds from the sale of fixed assets	833	959
Exploration and evaluation expenditure assets	(4,129)	(7,079)
Net cash used in investing activities	(9,219)	(21,577)
Increase (Decrease) in cash and cash equivalents	3,624	(6,305)
Cash and cash equivalents at the beginning of period	5,633	11,461
Cash and cash equivalents at the end of period	9,257	5,156

Orosur Mining Inc.

Unaudited Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

Thousands of United States Dollars, except where indicated

	Nine months ended February 28,	
	2014 (\$)	2013 (\$)
Capital stock		
Balance at beginning of period	55,184	55,074
Exercise of stock options	0	70
Transfer from contributed surplus	0	9
Balance at end of period	55,184	55,153
Broker Warrants		
Balance at beginning of period	276	276
Commission on private placement	(276)	0
Balance at end of period	0	276
Contributed surplus		
Balance at beginning of period	5,534	5,424
Transfer to capital stock	0	(9)
Employee stock based compensation recognized	232	59
Balance at end of period	5,766	5,474
Retained earnings		
Balance at beginning of period	16,965	31,790
Warrant expiration	276	0
Net income for the period	2,486	6,995
Balance at end of period	19,727	38,785
Shareholders' equity at end of period	80,677	99,688

Contact

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