

# Elgin Mining Inc. Reports Second Quarter 2014 Results

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[Elgin Mining Inc.](#) ("Elgin Mining" or the "Company") (TSX:ELG) reports its financial and operational results for three and six months ended June 30, 2014. Elgin Mining owns and operates the Björkdal gold mine ("Björkdal Mine") in Sweden, and holds the past-producing Lupin gold mine ("Lupin") and the Ulu gold property in Nunavut, Canada. All figures are in United States dollars (\$) or USD unless otherwise indicated.

A copy of the Company's financial statements and Management's Discussion and Analysis ("MD&A") 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 2014 Financial and Operational Highlights

- Gold production of 12,098 ounces, an increase of 12% from first quarter gold production of 10,812 ounces;
- Cash cost of \$993 and all-in sustaining cost ("AISC") of \$1,197 per gold ounce produced;
- Cash cost of \$1,009 and AISC of \$1,214 per gold ounce sold;
- Cash flow from operating activities was \$3.4 million, which decreases to \$2.5 million when non-cash working capital movements are excluded;
- Cash improved by \$1.5 million during the quarter after debt repayments of \$0.3 million;
- Open pit ("OP") operations performed well in the quarter with head grades remaining strong and above plan due to the Company's continuing grade control programs and mine planning efforts;
- Underground ("UG") operations have improved from the previous quarter with an increase in both UG head grades and gold production from the previous quarter's results. However, UG head grades, ore production and unit mining costs remained below target for the quarter as results were impacted by repairs to mobile equipment used in stoping activities, and from challenging ground conditions which resulted in delays in full production from one of the main stope areas, which have now been rectified. Higher labour and equipment productivity, and better head grades are predicted for the last half of 2014 as the Company continues to resolve these issues over the third quarter;
- The process plant continues to operate well with minimal stoppages and sustained increased daily throughput without any loss in the plant's metallurgical recovery rate due to improvements made to the plant's flotation and other circuits since the start of the year; and
- Permit application to expand the plant's annual throughput limit from 1.3 million tonnes to 1.5 million tonnes was filed in late May 2014 with receipt of the expansion permit anticipated by the end of 2014.

## Re-affirmation of Björkdal Mine 2014 Guidance

Gold production in H1-2014 totalled 22,910 ounces at a per ounce cash cost of \$1,019 and per ounce AISC of \$1,237 on a gold produced basis.

The Company anticipates increased UG gold production in the second half of 2014 from improved labour and equipment productivity, and from higher head grades as ground and sequencing issues experienced in the first half of the year are rectified. These changes will lead to lower per tonne operating costs and along with a weaker Swedish krona ("SEK"), will have a positive effect on the Company's reported gold production costs for the last half of 2014.

Specifically, all of the Björkdal Mine's gold production costs are denominated in SEK except for off-site treatment and refining charges and corporate administration costs which are denominated in Euros and Canadian dollars, respectively. As of August 12, 2014, the SEK per USD exchange rate stood at 6.88, a 5.5% drop from the exchange rate assumption of 6.50 used in the Company's 2014 guidance below.

The Company's 2014 guidance for gold production and unit cash cost remain as follows:

2014 Gold Production Guidance	Production Low-end	Production High-end
Gold production (ounces)	44,000	49,000

Cash cost per gold ounce produced (USD/ounce)	\$982	\$886
AISC per gold ounce produced (USD/ounce)	\$1,227	\$1,106
AISC per gold ounce produced excluding non-cash accretion and share-based payment expense (USD/ounce)	\$1,207	\$1,088
Sustaining capital (USD)	\$7.9 million	\$7.9 million
SEK per USD FX rate assumption	6.50	6.50
CAD per USD FX rate assumption	1.10	1.10

The above AISC guidance includes all capital expenditures (including capitalized exploration) expected to be incurred at the Björkdal Mine for 2014, and all general and administration costs incurred at the Company's corporate office in Canada.

Management forecasts that full year gold production will be at the high end of the range while AISC per gold ounce produced will be at the low-end of the range provided. Production in the third quarter to August 11, 2014 totalled 5,232 gold ounces which included the processing of 33,508 tonnes of lower-grade stockpiled ore (approximately 22% of plant ore feed for the quarter-to-date) in July 2014. In Sweden, July is an important vacation month for both staff and contractors, resulting in reduced OP and UG mining activities. Despite that, July production was well above budget.

Patrick Downey, President and CEO, commented, "We are pleased that the Björkdal Mine had another positive quarter of generating net free cash flow resulting from strong quarterly gold production, improvements in head grades, and tight control over costs. The plant and open pit are performing very well and we expect this performance to continue for the remainder of 2014. Underground production and grades should see significant improvement in the second half now that the temporary issues concerning equipment availability and ore dilution are addressed.

"We also announced the proposed acquisition of the Company by [Mandalay Resources Corp.](#) and anticipate that the closing of the arrangement will occur on or around September 10, 2014, assuming the requisite shareholder and regulatory approvals are received. The Mandalay team has demonstrated an excellent track record of unlocking immense value on under-capitalized and under-explored gold operations, and we are convinced that they will do the same for the Björkdal Mine for the mutual benefit of both companies' stakeholders."

## Second Quarter and First Half 2014 Financial and Operational Summaries

	For the three months ended		For the three months ended		For the six months ended	
	June 30, 2014		June 30, 2013		June 30, 2014	
FINANCIAL DATA						
Revenue	\$	15,257,878	\$	13,989,813	\$	30,141,977
Production costs, excluding depreciation and depletion	\$	11,006,973	\$	14,005,564	\$	21,542,121
Income (loss) from mining operations	\$	2,208,543	\$	(2,915,413 )	\$	3,265,255
Exploration expense	\$	33,260	\$	193,816	\$	36,191
Corporate administration	\$	645,431	\$	1,663,793	\$	1,322,144
Lupin care and maintenance	\$	425,979	\$	1,190,730	\$	816,699
Coal reclamation costs	\$	-	\$	60,844	\$	7,801,733
Net loss	\$	(71,056 )	\$	(10,353,917 )	\$	(8,486,755)
Net loss per share	\$	-				
- Basic	\$	(0.00 )	\$	(0.07 )	\$	(0.07 )
- Diluted	\$	(0.00 )	\$	(0.07 )	\$	(0.07 )
Cash flow provided by operating activities	\$	3,368,874	\$	1,828,034	\$	5,375,044
Cash and cash equivalents	\$	13,969,737	\$	7,777,509	\$	13,969,733
Working capital	\$	3,633,476	\$	8,162,212	\$	3,633,476
Long-term debt, non-current	\$	2,663,847	\$	3,027,210	\$	2,663,844
Capital expenditures	\$	1,738,489	\$	8,975,881	\$	3,547,399
OPERATING DATA						
Gold ounces produced		12,098		12,343		22,911
Gold ounces sold		12,027		11,945		23,166
Average realized gold price (USD per ounce)	\$	1,316	\$	1,219	\$	1,341
Cash cost per gold ounce sold (USD per ounce) <sup>1</sup>	\$	1,009	\$	1,194	\$	977
All-in sustaining cost per gold ounce sold (USD per ounce) <sup>1</sup>	\$	1,214	\$	1,841	\$	1,181
Cash cost per gold ounce produced (USD per ounce) <sup>1</sup>	\$	993	\$	1,129	\$	1,011
All-in sustaining cost per gold ounce produced (USD per ounce) <sup>1</sup>	\$	1,197	\$	1,755	\$	1,231

<sup>1</sup> Refer to page 13 of the Company's MD&A for additional details on non-IFRS measures

## **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](http://www.elginmining.com).

## **Forward-Looking Statements**

*This news release contains forward-looking statements within the meaning of securities legislation and which are based on the expectations, estimates and projections of management of Elgin as of the date of this news release unless otherwise stated. Forward-looking statements are generally identifiable by use of the words "expect," "anticipate," "continue," "estimate," "objective," "ongoing," "may," "will," "project," "should," "believe," "plans," "intends" or the negative of these words or other variations on these words or comparable terminology. More particularly, and without limitation, this news release contains forward-looking statements and information concerning expectations regarding the consideration to be issued pursuant to the transaction, the ability of Elgin to consummate the transaction on the terms and in the manner contemplated thereby and the expected timing of the closing of the Arrangement. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, the time required to prepare and mail meeting materials to Elgin shareholders, the ability of the parties to receive, in a timely manner and on satisfactory terms, the necessary court, shareholder, stock exchange and regulatory approvals and the ability of the parties to satisfy, in a timely manner, the conditions to the closing of the transaction, as well as other uncertainties and risk factors set out in filings made from time to time by Elgin with the Canadian securities regulators, including, without limitation, Elgin's annual information form dated March 21, 2014, which is available on SEDAR at [www.sedar.com](http://www.sedar.com). Actual results, developments and timetables could vary significantly from the estimates presented. Readers are cautioned not to put undue reliance on forward-looking statements.*

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