

Gran Colombia Gold Reports First Quarter 2018 Results; Files National Instrument 43-101 Technical Report for Its Segovia Operations

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TORONTO, May 10, 2018 (GLOBE NEWSWIRE) -- [Gran Colombia Gold Corp.](#) (TSX:GCM) announced today the release of its unaudited interim condensed consolidated financial statements and accompanying management's discussion and analysis (MD&A) for the three months ended March 31, 2018. All financial figures contained herein are expressed in U.S. dollars ("USD") unless otherwise noted.

Serafino Iacono, Executive Co-Chairman of Gran Colombia, commenting on the Company's results for the first quarter of 2018, said, "We have reached another milestone with the successful completion of our debt refinancing which will shortly conclude with the full repayment of the principal amount of our 2020 Debentures and 2024 Debentures. We are also pleased with the continued improvement in the operating and financial results we are reporting today. With the enhanced liquidity made possible by the debt refinancing, we have a stronger balance sheet that, together with our internally generated cash flow, will allow us to forge ahead with the execution of our strategy to create value by exploring, developing and modernizing our mining operations."

First Quarter 2018 Highlights

- The Company *successfully closed its \$98 million Offering of Units* on April 30, 2018 (the "Closing Date") to refinance its 2020 Debentures and 2024 Debentures (collectively the "Senior Secured Debentures"), providing the Company with greater access to its internally generated free cash flow to explore, expand and modernize its mining operations, and significantly reducing the potential dilution to the Company's shareholders compared with the existing capital structure. On the Closing Date, the Company deposited sufficient net proceeds from the Offering with the trustee for the Senior Secured Debentures to fund their redemption on May 14, 2018 (the "Redemption Date"). By extinguishing the full amount of the issued and outstanding Senior Secured Debentures with the net proceeds of the Offering, the \$9.6 million of cash in trust as of March 31, 2018, representing the sinking fund for the Senior Secured Debentures, has since been released for inclusion in the Company's unrestricted cash balance, which stood at \$3.4 million at March 31, 2018. Since the Closing Date, a further \$2.3 million aggregate principal amount of Senior Secured Debentures have been converted by holders into common shares, decreasing the ultimate amount required to be redeemed. At the Redemption Date, the excess funds deposited with the trustee for the redemption of the Senior Secured Debentures will be returned to the Company, further bolstering its cash position. The current issued and outstanding aggregate principal amount of the Senior Secured Debentures is \$88.6 million and the Company has 29,317,798 common shares issued and outstanding.
- The Company also *settled \$7.3 million aggregate principal amount of its 2018 Debentures* on April 30, 2018 through a concurrent offer to holders of its 2018 Debentures to voluntarily settle their debt prior to maturity with a combination of 19% in cash, funded by the sinking fund, and 81% in common shares at the conversion price. The Company continues to expect that it will use its option to settle its remaining 2018 Debentures, of which \$34.4 million aggregate principal amount is currently issued and outstanding, at maturity in August 2018 with common shares to the maximum extent possible. In accordance with the 2018 Debenture holders consent solicitation process to facilitate the Offering, the Company has increased the annual interest rate on the remaining issued and outstanding 2018 Debentures from 1% to 5% effective the Closing Date and through to their maturity.
- *The Company is on track to meet its guidance for 2018 with total gold production of 52,672 ounces in the first quarter of 2018*, up 35% over the first quarter of 2017, and a further 16,119 ounces produced in April 2018. Fueled by continued growth in the Company's high-grade Segovia Operations, the Company's trailing 12-months' total gold production increased to 187,485 ounces as of March 2018, up 8% over the total for 2017 of 173,821 ounces and within the Company's guidance range for 2018 of between 182,000 and 193,000 ounces.

- *Revenue* increased 42% in the first quarter of 2018 over the first quarter last year to \$64.8 million, positively impacted this year by the increased level of gold production as described above and 10% better realized gold prices in the first quarter of 2018 as spot gold prices rose 9% compared with the first quarter last year.
- *Total cash costs* ⁽¹⁾ and *all-in sustaining costs* (“AISC”) ⁽¹⁾ averaged \$670 per ounce and \$896 per ounce, respectively, for the first quarter of 2018, down from \$748 per ounce and \$941 per ounce, respectively, in the first quarter last year. An increase in the proportion of the Company’s total gold sales coming from the lower cost Segovia Operations coupled with a reduction in Segovia’s total cash cost to \$616 per ounce as a result of head grade improvement in the Company-operated areas of the Providencia mine and further reduction of fixed costs on a per ounce basis, led to the improved total cash cost per ounce for the Company in the first quarter of 2018 compared with the first quarter last year. AISC in the first quarter of 2018 included \$180 per ounce of sustaining capital expenditures, up from \$143 per ounce in the first quarter of 2017, reflecting the Company’s continuing commitment to explore, develop and modernize its high-grade Segovia Operations in the improving gold price environment.
- *Adjusted EBITDA* ⁽¹⁾ doubled in the first quarter of 2018 to \$27.4 million compared with \$13.6 million in the first quarter of 2017, bringing the trailing 12-months total adjusted EBITDA at the end of March 2018 to \$89.3 million, up 18% compared with 2017.
- The Company generated \$2.6 million of *Excess Cash Flow* ⁽¹⁾ in the first quarter of 2018, up from \$2.3 million in the first quarter last year. The Company took advantage of its improved operating cash flow in the first quarter of 2018 to accelerate \$5.6 million of its income tax payments that ordinarily would have been made in the second quarter of 2018 to facilitate the commencement in May 2018 of the monthly physical gold deliveries to the Gold Trust Account under the new gold-linked notes issued pursuant to the Offering.
- The Company reported *net income* for the first quarter of 2018 of \$5.4 million, or \$0.25 per share, compared with a net loss of \$0.8 million, or \$0.04 per share, in the first quarter last year, with the year-over-year improvement principally attributable to the increased income from operations in the first quarter of 2018 driven by higher gold sales volumes and realized gold prices and lower total cash costs per ounce.
- *Adjusted net income* ⁽¹⁾ for the first quarter of 2018 of \$9.8 million, or \$0.46 per share, up from \$3.1 million, or \$0.16 per share, in the first quarter last year, also reflected the improvement in income from operations as noted above.

(1) Refer to “Non-IFRS Measures” in the Company’s MD&A

Financial and Operating Summary

A summary of the financial and operating results for the first quarters of 2018 and 2017 follows:

	First Quarter	
	2018	2017
Operating data		
Gold produced (ounces)	52,672	39,008
Gold sold (ounces)	49,610	38,434
Average realized gold price (\$/oz sold)	\$ 1,293	\$ 1,174
Total cash costs (\$/oz sold) ⁽¹⁾	670	748
All-in sustaining costs (\$/oz sold) ⁽¹⁾	896	941
Financial data (\$000’s, except per share amounts)		
Revenue	\$ 64,786	\$ 45,717
Adjusted EBITDA ⁽¹⁾	27,443	13,591
Net income (loss)	5,352	(784)
Per share - basic	0.25	(0.04)
Per share - diluted	0.12	(0.04)
Adjusted net income ⁽¹⁾	9,846	3,084
Per share - basic	0.46	0.16
Per share - diluted	0.12	0.04
Excess Cash Flow	2,554	2,276

	March 31, 2018	December 31, 2017
Balance sheet (\$'000's):		
Cash and cash equivalents	\$ 3,400	\$ 3,272
Cash in trust for Senior Debentures (2)	14,465	11,911
Senior debt, including current portion (3)	101,042	98,713
Other debt, including current portion	394	439

(1) Refer to "Non-IFRS Measures" in the Company's MD&A.

(2) Represents amounts deposited into sinking funds for the Senior Debentures, net of cash used for the NCIBs and partial redemption.

(3) Represents carrying amounts, which are at a discount to principal amounts, for the Senior Debentures. At March 31, 2018, the aggregate principal amounts of the 2018 Debentures, 2020 Debentures and 2024 Debentures issued and outstanding were \$44.0 million, \$48.0 million and \$43.3 million, respectively (December 31, 2017 - \$45.2 million, \$48.7 million and \$47.0 million, respectively).

The Offering

On April 30, 2018, the Company completed a private placement of 97,992 units (the "Units") of the Company for aggregate gross proceeds of \$97,992,000 (the "Offering") to refinance its Senior Secured Debentures. Each Unit consists of \$1,000 principal amount of senior secured gold-linked notes (the "Notes") and 124 common share purchase warrants (the "Warrants"; and each, a "Warrant") of the Company (12,151,008 Warrants in aggregate). Each Warrant has an exercise price of CA\$2.21 and entitles the holder thereof to purchase one common share in the capital of the Company at any time prior to the maturity of the Notes. The Notes and Warrants comprising each Unit will not separate until 45 days following the Closing Date. The Notes and the Warrants are also subject to a hold period equal to four months and a day following the Closing Date, and the Company will take commercially reasonable steps to obtain approval for the listing and trading of the Notes and the Warrants on the Toronto Stock Exchange by the end of the hold period. The Notes bear interest at 8.25% per annum, to be paid monthly, and have a six-year term. The Company is required to set aside an amount of physical gold each month in a trust account (the "Gold Trust Account") and the proceeds from the quarterly sale of the gold will be used to repay the principal amount of the Notes based on a guaranteed floor price of \$1,250 per ounce. The scheduled annual number of physical gold ounces to be deposited into the Gold Trust Account will vary by year, representing approximately 10% of the projected annual gold production from the Company's Segovia Operations and ranging from 15,594 ounces in the first year down to 10,000 ounces in the final year of the term of the Notes.

Segovia Operations

At the Segovia Operations, gold production in the first quarter of 2018 of 46,472 ounces was up 42% compared to the first quarter of 2017 primarily due to improved head grades in the Company-operated areas at the Providencia mine. This brings the Company's trailing 12-months' total gold production from Segovia to 162,363 ounces, up 9% from 2017 fuelled by continuing growth in the Company mines which represented 94% of Segovia's trailing 12-months' production. With a further 14,331 ounces produced in April, the Company continues to expect Segovia's annual gold production for 2018 will range between 158,000 and 167,000 ounces.

Total cash costs per ounce at the Segovia Operations (which represented approximately 90% of total gold sales in the first quarter of 2018) improved to \$616 per ounce in the first quarter of 2018 compared with an average of \$690 per ounce in the first quarter of 2017. The increased production level at Segovia in the first quarter of 2018 continues to have a positive impact reducing fixed operating costs on a per ounce basis compared with the first quarter of 2017. The improvement in head grades at the Company-operated areas in the Providencia mine also had a positive impact on Segovia's total cash cost per ounce in the first quarter of 2018. The Company continues to expect that Segovia's total cash costs will remain below \$700 per ounce in 2018.

Gran Colombia's AISC of \$896 per ounce for the first quarter of 2018 included \$8.9 million of sustaining capital expenditures, equivalent to \$180 per ounce sold (\$37 per ounce higher than the first quarter of 2017), the major components of which included (i) \$4.0 million for exploration and mine

development at Segovia, including 5,400 meters of the 2018 drilling program, (ii) \$2.2 million for the Segovia mines including underground equipment and ventilation improvements at the El Silencio mine and completion of a ventilation shaft and further infrastructure upgrades at the Providencia mine, (iii) \$1.1 million for further upgrades of equipment in the Maria Dama plant and laboratory at Segovia together with costs associated with a new filter press and the project to construct the new El Chocho tailings storage facility, and (iv) \$0.7 million related to the 44kV connection at the Segovia mines.

National Instrument 43-101 Technical Report for Segovia Operations

Gran Colombia announced today that it has filed a prefeasibility study ("PFS") technical report on its Segovia Operations (the "Technical Report") pursuant to *National Instrument 43-101 - Standards of Disclosure for Mineral Projects* ("NI 43-101"). The Technical Report supports the disclosure made by the Company in its 2017 Annual MD&A dated March 27, 2018 and related news release and is based on the Mineral Reserve and Mineral Resource estimate for the Segovia Operations with an effective date of December 31, 2017.

The PFS has provided Segovia's first reported Mineral Reserve of 660,000 ounces of gold based on 1.7 million tonnes of material at an average head grade of 12.4 g/t. Although the preliminary results announced on March 27, 2018 identified all of the Mineral Reserve as probable, the final results included in the Technical Report comprise 68,000 ounces of proven Mineral Reserve based on 46,000 tonnes at an average head grade of 45.4 g/t and 592,000 ounces of probable Mineral Reserve based on 1.6 million tonnes at an average head grade of 11.4 g/t.

The PFS life-of-mine ("LoM") production schedule foresees the total 1.7 million tonnes of material being processed over a six-year mine life resulting in a total gold production of 610,000 ounces produced at an average LoM total cash cost ⁽¹⁾ of \$669 per ounce and an AISC⁽¹⁾ (excluding corporate G&A) of \$896 per ounce. At an expected long-term gold price of \$1,300 per ounce, total LoM undiscounted after-tax free cash flow from mining operations amounts to \$148 million. The PFS production schedule includes only proven and probable Mineral Reserves, and as such, the projected mine life for the PFS will be shorter than the Company's current expectations (which remains at 2026 as per the previous Preliminary Economic Assessment) due to the exclusion of Inferred Resources which the Company currently mines and intends to mine in the future. The contract miner material processed at the Company's Maria Dama plant from the small mines located in the Company's mining title is also not included in the LoM production schedule in the PFS as it falls outside the Company's mines and Mineral Reserves.

The Technical Report, with a report date of May 10, 2018 and an effective date of December 31, 2017, was prepared by SRK Consulting (U.S.), Inc. ("SRK") and is entitled "*NI 43-101 Technical Report Prefeasibility Study Segovia Project Colombia*". The "qualified persons" for the purposes of NI 43-101 include Ben Parsons, MSc, MAusIMM (CP), Principal Resource Geologist; Brian Olson, BS Chemical Engineering, P.ENG, MMSAQP, Senior Metallurgist; Cristian A. Pereira Farias, SME-RM, Senior Hydrogeologist; David Bird, MSc, PG, SME-RM, Principal Geochemist; John Tinucci, PhD, PE, ISRM President/Practice Leader/Principal Geotechnical Engineer; Jeff Osborn, BEng Mining, MMSAQP, Principal Mining Engineer; Fernando Rodrigues, BS Mining, MBA, MAusIMM, MMSAQP, Practice Leader/Principal Mining Engineer; Clara Balasko, MSc, PE, Senior Civil Engineer; and, Mark Allan Willow, MSc, CEM, SME-RM, Practice Leader/Principal Environmental Scientist.

The report is available on the Company's website at www.grancolombiagold.com and under the Company's profile on SEDAR at www.sedar.com.

(1) *Total cash cost per ounce* and *AISC per ounce* are non-IFRS measures and are disclosed herein in accordance with the Company's basis of calculation as disclosed in its MD&A. In the Technical Report, SRK included \$26 per ounce of smelting and refining costs in these non-IFRS measures which the Company includes as a deduction in deriving its reported realized gold price per ounce sold.

Marmato Operations

At the Marmato Operations, production remained steady with 6,200 ounces of gold in the first quarter of 2018 compared with 6,240 ounces in the first quarter of 2017. This brings Marmato's trailing

12-months’ total gold production at the end of March 2018 to 25,122 ounces, on par with 2017’s annual production. The Marmato Operations produced 1,788 ounces in April and the Company continues to expect that its annual gold production will fall within its guidance range for 2018 of between 24,000 and 26,000 ounces.

Total cash costs at the Marmato Operations (which represented approximately 10% of total gold sales in 2017) increased to \$1,141 per ounce in the first quarter of 2018 compared with \$1,061 per ounce in the first quarter of 2017 reflecting the impact of the lower mill recovery on gold production in the first quarter of 2018. The Company continues to expect that Marmato’s total cash cost in 2018 will remain below 2017’s annual average of \$1,049 per ounce.

Outlook

The Company started off 2018 with a total of 52,672 ounces of gold production in the first quarter and another 16,119 ounces in April 2018. The Company continues to expect to produce a total of 182,000 to 193,000 ounces of gold for the full year compared with the 173,821 ounces produced in 2017. Production growth will continue to be fuelled by the Company’s mines at its high-grade Segovia Operations which are expected to produce between 158,000 and 167,000 ounces in 2018.

In the first quarter of 2018, the Company executed approximately 5,400 meters or approximately 27% of its planned 20,000 meters drilling campaign for the full year to continue its efforts to upgrade and extend its mineral resources at the Segovia Operations. Capital investment in 2018 at the Segovia Operations will continue to focus on ongoing mine development at its Providencia and El Silencio mines, and commence mine development at its Sandra K mine, along with ongoing investments in mine infrastructure upgrades, ventilation, health, safety and environmental initiatives, mine equipment and expansion of tailings storage facilities.

At Marmato, the Company completed a conceptual study in 2017 to consider the potential for underground mining operations combining the existing operating mine with the Deeps mineralization. In 2018, the Company will follow up with further technical studies and up to 10,000 meters of drilling leading toward the expected completion of a preliminary economic assessment by the end of the year.

The Company’s total cash cost averaged \$720 per ounce sold in 2017. In 2018, the Company expects that its total cash cost will increase slightly, averaging less than \$735 per ounce sold for the full year, as a result of entering contracts in the latter half of 2017 for additional higher cost, high-grade material from the contract miners operating within its Providencia and El Silencio mines. The Company also expects that with its capital investment program in 2018, including the ongoing exploration activities at Segovia and execution of the drilling program and technical studies at Marmato, its AISC for the full year will increase from 2017’s full year AISC average of \$918 per ounce but will remain below \$950 per ounce.

Webcast

As a reminder, Gran Colombia will host a conference call and webcast on Friday May 11, 2018 at 9:30 a.m. Eastern Time to discuss the results.

Webcast and call-in details are as follows:

Live Event link:	https://edge.media-server.com/m6/p/tck6woh8
International:	1 (514) 841-2157
North America Toll Free:	1 (866) 215-5508
Colombia Toll Free:	01 800 9 156 924
Conference ID:	46778182

A replay of the webcast will be available at www.grancolombiagold.com from Friday, May 11, 2018 until Monday, June 11, 2018.

About Gran Colombia Gold Corp.

Gran Colombia is a Canadian-based gold and silver exploration, development and production company with its primary focus in Colombia. Gran Colombia is currently the largest underground gold and silver producer in Colombia with several underground mines in operation at its Segovia and Marmato Operations. Gran Colombia is continuing its exploration, expansion and modernization activities at its high-grade Segovia Operations.

Additional information on Gran Colombia can be found on its website at www.grancolombiagold.com and by reviewing its profile on SEDAR at www.sedar.com.

Cautionary Statement on Forward-Looking Information

This news release contains "forward-looking information", which may include, but is not limited to, statements with respect to anticipated business plans or strategies. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Gran Colombia to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Factors that could cause actual results to differ materially from those anticipated in these forward-looking statements are described under the caption "Risk Factors" in the Company's Annual Information Form dated as of March 27, 2018, which is available for view on SEDAR at www.sedar.com. Forward-looking statements contained herein are made as of the date of this press release and Gran Colombia disclaims, other than as required by law, any obligation to update any forward-looking statements whether as a result of new information, results, future events, circumstances, or if management's estimates or opinions should change, or otherwise. 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. Accordingly, the reader is cautioned not to place undue reliance on forward-looking statements.

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