

# Lundin Gold Reports Q2 2019 Results

10.08.2019 | [CNW](#)

## CONSTRUCTION ON SCHEDULE AND ON BUDGET FOR FIRST GOLD IN FOURTH QUARTER OF THIS YEAR

VANCOUVER, Aug. 9, 2019 - Lundin Gold Inc. ("Lundin Gold" or the "Company") (TSX: LUG, Nasdaq Stockholm: LUG) is pleased to announce its results for the three and six months ended June 30, 2019. All amounts are in U.S. dollars unless otherwise indicated.

Please view PDF version of News Release.

"Fruta del Norte continues to progress on schedule and on budget. Contractor underground development is nearing completion with owner's crews ramping up, and production stopes are now being mined," said Ron Hochstein, Lundin Gold's President and CEO. "During the third quarter, we expect the three major surface projects - process plant, powerline and tailings storage facility &#8211; to be completed and undergo commissioning, and first gold pour is anticipated in the fourth quarter of this year."

### Highlights

#### Fruta del Norte Gold Project ("Fruta del Norte" or the "Project")

- Detailed engineering was completed with only construction support engineering ongoing.
- Approximately 92% of the total projected capital expenditure has been committed.
- Overall construction progress was 78% complete.
- Underground development continued ahead of projections, including access to the South Vent Raise.
- Owner's crews started mining the first production stope and owner mining is ramping up with additional crews being added as more production stopes become available.
- Construction of the process plant continued with all trades active in order to facilitate wet commissioning starting early in the third quarter.
- Powerline construction from the Bomboiza substation to site is 90% complete overall.
- Work on the Bomboiza substation for the connection to the national power grid is 40% complete.
- Construction of the tailings dam is progressing on schedule.
- Training and hiring for operations progressing with the key positions substantially filled.

### Financing

- Completed an initial (\$159 million) and a second drawdown (\$142 million) under the senior secured project finance debt facility (the "Facility").

### Corporate

- On August 9, 2019, Michael Nossal of [Newcrest Mining Ltd.](#) ("Newcrest") resigned from the board and was replaced on the board by Tamara Brown as Newcrest's nominee. Ms. Brown is a mining industry professional with over 20 years of experience in the mining and financial sectors. She is currently Vice President, Investor Relations and Corporate Development (Americas) for Newcrest.

### Exploration

- Mapping and sampling continued at several targets around (both inside and outside) the Suarez pull-apart basin, while drill permitting is in progress for Fruta del Norte-type epithermal gold-silver priority targets in the central and southern Suarez pull-apart basin.

## Fruta del Norte Gold Project

Development of the Project remains on track and on budget to deliver first gold production in the fourth quarter of this year and achieve commercial production in the second quarter of 2020. During the first six months of 2019 progress continued to ramp up as Fruta del Norte reached peak construction during the second quarter of this year.

### Mine Development

As at June 30, 2019 a total of 8.0 kilometres ("km") of underground mine development had been completed, of which 2,067 metres was accomplished during the quarter. Underground development continued ahead of projections, including access to the South Vent Raise.

Owner's mine crews started mining the first transverse long hole production stope on June 16, 2019 and owner mining is planned to continue to ramp up with additional crews being added as more production stopes become available.

Pump testing was completed on the two surface mine dewatering wells with indications of low pumping levels from the testing period to date. These results are consistent with the lower than anticipated water flow rates encountered in the underground mine.

The second cohort of 110 operations trainees completed their training and is being incorporated into mining and process plant operations teams.

### Construction

As of quarter end, earthworks was 87% complete, concrete 96%, steel 83%, mechanical 73%, piping 59%, electrical 82% and instrumentation 65%. Process plant construction is on track for commissioning of systems beginning in the third quarter of 2019.

### Site-Wide Infrastructure

The laboratory, reagent storage building, plant security building, and plant dry and lunchroom facilities are nearing completion pending delivery and installation of equipment.

The on-site electrical distribution network is substantially complete, and the first power distribution lines were energized. Work progresses on the main Fruta del Norte power substation and emergency power generation system.

### Powerline

Construction of the 42 km powerline connecting the Project to Ecuador's national power grid is progressing well with 93% of the towers completed and only eight towers remaining to be erected and all easements in place. Powerline cable stringing was 65% complete and the Bomboiza substation connection construction work advanced to 40% complete. The powerline is expected to be connected to the national grid in the third quarter of 2019.

### Tailing Storage Facility

Construction of the tailings storage facility progressed significantly with dam earthworks 72% complete and dam liner installation commencing during the quarter.

### Health and Safety

The Total Recordable Incident Rate for the Project at the end of the quarter was 0.63 per 200,000 hours worked.

#### Environment and Permitting

Lundin Gold successfully completed the bi-annual environmental compliance audit for the 42 km powerline with no impact on the license or operations. The Company also received the hazardous chemicals permit for importation of cyanide.

#### Community

As of quarter end, the Company estimates that 45% of its employees were from the Province of Zamora Chinchipe. Lundin Gold's procurement programs resulted in the purchase of on average \$2.0 million per month in goods and services from the local communities in the first half of 2019.

#### Exploration

Additional mapping and sampling have been completed southwest of the Suarez pull-apart basin. Permitting in preparation for scout drill testing continues with the plan to mobilize a drill rig to the Barbasco epithermal gold-silver target as soon as permits are received.

#### Financial Results

(in thousands, except per share amounts)	Three months ended		Six months ended	
	June 30,		June 30,	
	2019	2018	2019	2018

## Results of Operations:

Net income (loss) for the period	\$ (30,797)	\$ 19,741	\$ (38,508)	\$ (5,847)
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## Income (loss) per share

Basic	(0.14)	0.09	(0.18)	(0.03)
Diluted	(0.14)	0.09	(0.18)	(0.03)

(in thousands)

As at	As at
June 30	December
2019	31, 2018

## Financial Position:

Cash	251,500	167,513
Working capital	222,056	153,186
Property, plant and equipment	720,293	480,921
Mineral properties	240,665	240,665
Total assets	1,343,799	1,012,461
Long-term liabilities	722,689	364,252

During the second quarter of 2019, the Company recorded a derivative loss of \$24.7 million compared to a derivative gain of \$18.8 million in the second quarter of 2018 relating to its long-term debt which is measured at fair value on a quarterly basis. In addition, with the hiring of operating personnel and starting in the fourth quarter of 2018, the Company is now incurring training costs as training programs for operations have begun. The Company also recognized a foreign exchange loss of \$0.4 million during the second quarter of 2019 compared to a foreign exchange gain of \$7.1 million in the second quarter of 2018. Foreign exchange gains or losses are driven by the quantum the Company's U.S. dollar cash held by its Canadian entities and movements in the foreign exchange rate. As the functional currency of the Canadian entities is the Canadian dollar, a weakening of the U.S. dollar against the Canadian dollar during the period generates an unrealized loss in terms of Canadian dollars.

The loss for the six months ended June 30, 2019 is higher by \$32.7 million compared to that of the six months ended June 30, 2018 mainly due to the revaluation of the Company's long-term debt and recognition of a foreign exchange loss as noted above. This is partially offset by the recognition of other income of \$2.5 million relating to the recovery of capital outflow tax paid from the Company's repatriation of capital from Ecuador in the third quarter of 2017.

## Liquidity and Capital Resources

As at June 30, 2019, the Company had cash of \$251.5 million and a working capital of \$222.1 million compared to cash of \$167.5 million and a working capital balance of \$153.2 million at December 31, 2018. The change in cash was due to drawdowns from the Facility totalling \$301.0 million, which will be used to fund the construction of the Fruta del Norte Project, and net proceeds of \$33.9 million from an equity financing in March 2019. This is offset by costs incurred for the development of the Fruta del Norte Project of \$217.5 million, general and administration costs of \$10.8 million and exploration expenditures of \$2.0 million. In addition, the Company received proceeds of \$0.8 million for the issuance of shares and warrants to Newcrest under the anti-dilution rights related to its 27.3% shareholding in the Company.

As at June 30, 2019, the Company has \$49 million remaining under the Facility available to be drawn at its option. In addition, at the end of March the Company entered into a \$75 million cost overrun facility which is available once the Facility is fully drawn and can be used to fund a potential cost overrun related to the development of the Fruta del Norte Project.

## Outlook

The Company is focused on advancing the Project on schedule through to first gold production in the fourth quarter of 2019. Peak workforce will continue into the third quarter and begin ramping down as we approach the fourth quarter of 2019. The following activities are planned going forward:

- Completing process plant construction.
- Completing wet and hot commissioning.
- Development of production areas and mining ore from the stopes and store in stockpiles until mill startup.
- Completion of mine development contractor scope.
- Commencement of the south ventilation raise and installation of permanent ventilation fans.
- Bringing into service the laboratory, reagent storage and plant ancillary buildings.
- Completing construction and energization of the Bomboiza substation and powerline to site.
- Completing the tailing storage facility to level for commencement of operations.
- Advancing paste plant construction.
- Starting construction of the Zamora River bridge.
- Obtaining remaining permits required for operations.

Preparation and permitting for exploration drilling continue with the objective of scout drill testing the Barbasco epithermal gold-silver target later this year. Additional mapping and sampling of selected targets is ongoing.

## Qualified Person

The technical information relating to the Fruta del Norte Project contained in this Press Release has been reviewed and approved by Ron Hochstein P. Eng, Lundin Gold's President and CEO who is a Qualified Person under NI 43-101. The disclosure of exploration information contained in this Press Release was prepared by Stephen Leary, MAusIMM CP(Geo), a consultant to the Company, who is a Qualified Person in accordance with the requirements of NI 43-101.

## Additional Information

The Company's consolidated financial statements for the three and six months ended June 30, 2019 and related management's discussion and analysis are available on the Company's website at [www.lundingold.com](http://www.lundingold.com) or under its profile on SEDAR at [www.sedar.com](http://www.sedar.com).

The information in this release is subject to the disclosure requirements of Lundin Gold under the EU Market Abuse Regulation. This information was submitted for publication August 9 at 3:00 p.m. PT through the contact persons set out below.

## About Lundin Gold

Lundin Gold, headquartered in Vancouver, Canada, is developing its wholly-owned Fruta del Norte gold project in southeast Ecuador. Fruta del Norte is one of the world's largest, highest-grade gold projects currently under construction. The Company's board and management team have extensive expertise in mine construction and operations, and are dedicated to advancing this project through to first gold production in the fourth quarter of this year.

The Company operates with transparency and in accordance with international best practices. Lundin Gold is committed to delivering value to its shareholders, while simultaneously providing economic and social benefits to impacted communities, fostering a healthy and safe workplace and minimizing the environmental impact. The Company believes that the value created through the development of Fruta del Norte will benefit its shareholders, the Government and the citizens of Ecuador.

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### Caution Regarding Forward-Looking Information and Statements

Certain of the information and statements in this press release are considered "forward-looking information" or "forward-looking statements" as those terms are defined under Canadian securities laws (collectively referred to as "forward-looking statements"). Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as "believes", "anticipates", "expects", "is expected", "scheduled", "estimates", "pending", "intends", "plans", "forecasts", "targets", or "hopes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "will", "should" "might", "will be taken", or "occur" and similar expressions) are not statements of historical fact and may be forward-looking statements.

By their nature, forward-looking statements and information involve assumptions, inherent risks and uncertainties, many of which are difficult to predict, and are usually beyond the control of management, that could cause actual results to be materially different from those expressed by these forward-looking statements and information. Lundin Gold believes that the expectations reflected in this forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct. Forward-looking information should not be unduly relied upon. This information speaks only as of the date of this press release, and the Company will not necessarily update this information, unless required to do so by securities laws.

This press release contains forward-looking information in a number of places, such as in statements pertaining to: the timing of first gold and commercial production and the progress of the development, construction and operation of the Project, improvements to site logistics and completion of site and powerline infrastructure, the Company's exploration plans and activities, the timing and success of permitting and regulatory approvals, project financing and future sources of liquidity, capital expenditures and requirements, future tax payments and rates, cash flows and their uses.

There can be no assurance that such statements will prove to be accurate, as Lundin Gold's actual results and future events could differ materially from those anticipated in this forward-looking information as a result of the factors discussed in the "Risk Factors" section in Lundin Gold's Annual Information Form dated March 27, 2019, which is available at [www.lundingold.com](http://www.lundingold.com) or on SEDAR.

Lundin Gold's actual results could differ materially from those anticipated. Factors that could cause actual results to differ materially from any forward-looking statement or that could have a material impact on the Company or the trading price of its shares, include: receipt of regulatory approvals, risks associated with the Company's community relationships; risks and hazards inherent in mining and processing; lack of availability of or interference with infrastructure; risks related to Lundin Gold's compliance with increasingly strict environmental laws and liability for environmental contamination; risks related political and economic instability in Ecuador; deficient or vulnerable title to mining concessions and surface rights; risk to shareholders of dilution from future equity financings; failure to maintain its obligations under its debt facilities; shortages of critical resources, such as skilled labour and supplies, consumables and equipment; inherent safety hazards and risk to the health and safety of the Company's employees and contractors; volatility in the price of gold; the cost of compliance or failure to comply with applicable laws; the timely

receipt of regulatory approvals, permits and licenses; risks associated with the performance of the Company's contractors; the imprecision of Mineral Reserve and Resource estimates; dependence on key personnel; volatility in the market price of the Company's shares; the potential influence of the Company's largest shareholders; uncertainty with the tax regime in Ecuador; measures required to protect endangered species; exploration and development risks; the Company's reliance on one project risks related to artisanal and illegal mining; the reliance of the Company on its information systems and the risk of cyber-attacks on those systems; the ability to obtain adequate insurance; uncertainty as to reclamation and decommissioning; the uncertainty regarding risks posed by climate change; the ability of Lundin Gold to ensure compliance with anti-bribery and anti-corruption laws; the potential for litigation; and limits of disclosure and internal controls.

Figure 1. Grinding circuit and flotation circuit construction nearing completion (Full Resolution)

Contact  
Figure 2. Carbon-in-leach circuit and gold room (Full Resolution)  
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Figure 3. Construction of bay at the Bomboiza substation, where the powerline to site will connect to Ecuador's national power grid (Full Resolution)

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[SOURCE: <https://www.rhstf.de/332160--Lundin-Gold-Reports-Q2-2019-Results.html>](https://www.rhstf.de/332160--Lundin-Gold-Reports-Q2-2019-Results.html)

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