

# Anaconda Mining Reports Third Quarter 2020 Results; Generates \$6.2 Million of Cash Flow From Operating Activities in Q3 2020

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TORONTO, Nov. 5, 2020 - [Anaconda Mining Inc.](#) ("Anaconda" or the "Company") (TSX:ANX) (OTCQX:ANXGF) is pleased to report its financial and operating results for the three and nine months ended September 30, 2020 ("Q3 2020"). The condensed interim consolidated financial statements and management discussion & analysis documents can be found at [www.sedar.com](http://www.sedar.com) and the Company's website, [www.anacondamining.com](http://www.anacondamining.com). All dollar amounts are in Canadian dollars unless otherwise noted.

## Third Quarter 2020 Highlights

- Anaconda sold 5,105 ounces of gold in Q3 2020, generating metal revenue of \$12.7 million at an average realized gold price\* of \$2,486 (US\$1,866) per ounce sold.
- Cash flow from operating activities in Q3 2020 were \$6.2 million, a 92% increase from the corresponding period of 2019, the result of strong production and a high gold price environment.
- Operating cash costs per ounce sold\* at the Point Rousse Project in Q3 2020 were C\$901 (US\$677), compared to C\$1,057 (US\$800) in the three months ended September 30, 2019, mainly driven by increased gold sales.
- All-in sustaining cash costs per ounce sold\* were C\$1,261 (US\$947) for Q3 2020, a 22% improvement over Q3 2019 as a result of higher ounces sold and lower corporate administration costs.
- The Company invested \$2.2 million in its growth projects during Q3 2020, including \$1.5 million on the Goldboro Gold Project and \$0.7 million on exploration programs at the Tilt Cove Project and Point Rousse Project.
- The Point Rousse Complex generated EBITDA\* of \$8.1 million in Q3 2020 and \$15.8 million in the nine months ended September 30, 2020, compared with \$3.7 million and \$8.2 million for the respective 2019 periods, with the year over year increase in driven by the strong gold price and increase in ounces sold over the comparative periods.
- Net income for the three months ended September 30, 2020 was \$4.0 million, or \$0.03 per share, compared to \$1.1 million, or \$0.01 per share, for the three months ended September 30, 2019. The improved net income for the period was driven by a 45% increase in revenue.
- On July 31, 2020, Anaconda completed a non-brokered flow-through private placement for \$5.5 million, which will accelerate its highly prospective exploration and diamond drill programs in Atlantic Canada, particularly at the Goldboro Gold Project and the Tilt Cove Gold Project.
- As at September 30, 2020, the Company had a cash balance of \$14.8 million and working capital\* of \$12.3 million.

\*Refer to Non-IFRS Measures section below. A full reconciliation of Non-IFRS Measures can be found in the Management Discussion and Analysis for the three and nine months ended September 30, 2020.

"We are pleased to report a successful quarter of production and financial results, with Anaconda generating \$6.2 million in cash flow from operations on 5,105 ounces of gold sold. We ended the third quarter with a treasury balance of \$14.8 million and continue to generate free cash flow at the Point Rousse operation, which allows us to aggressively pursue our growth strategy. Anaconda continues to provide a unique opportunity to investors in a strong gold market, providing immediate leverage to higher gold prices through free cash flow generation, gold production growth through development at the Goldboro Gold Project, and exposure to significant exploration upside at prospective properties in Newfoundland and Nova Scotia, including the Tilt Cove Gold Project."

~Kevin Bullock, President and CEO, [Anaconda Mining Inc.](#)

## Consolidated Results Summary

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Financial Results				
Revenue (\$)	12,703,630	8,778,562	31,594,739	23,040,960
Cost of operations, including depletion and depreciation (\$)	5,540,960	5,954,877	18,368,320	17,770,962
Mine operating income (\$)	7,162,670	2,823,685	13,226,419	5,269,998
Net income (\$)	3,062,777	1,083,438	7,436,040	602,825
Net income per share (\$/share)	- 0.03	0.01	0.05	0.00
basic and diluted (\$)				
Cash generated from operating activities (\$)	6,183,727	3,217,085	12,007,716	4,581,431
Capital investment in property, mill and equipment (\$)	387,383	523,237	1,577,708	2,048,287
Capital investment in exploration and evaluation assets (\$)	2,150,374	2,595,838	4,638,061	9,492,019
Average realized gold price per ounce*	US\$1,866	US\$1,428	US\$1,672	US\$1,327

Operating cash costs per ounce sold*	US\$677	US\$800	US\$830	US\$837
All-in sustaining cash costs per ounce sold*	US\$947	US\$1,208	US\$1,121	US\$1,238
September 30, 2020	December 31, 2019			
Total assets	70,257,235	63,757,965		
(\$)				
Non-current liabilities	5,776,074	6,903,274		
(\$)				

\*Refer to Non-IFRS Measures section for reconciliation

Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Ore mined (t)	137,185	401,573	289,837
Waste mined (t)	387,116	1,510,830	1,252,710
Strip ratio	4.1	3.8	4.3
Ore milled (t)	120,359	351,828	291,026
Grade (g/t Au)	1.59	1.42	1.53
Recovery (%)	88.5	87.5	81.7
Gold ounces produced	5,444	14,098	11,770
Gold ounces sold	5,105	13,948	13,057

### Third Quarter 2020 Review

Operational Overview - The Point Rousse operation produced 5,444 ounces of gold in Q3 2020, an increase of 16% compared to the third quarter of 2019 due to higher throughput and better recovery. The Pine Cove Mill processed 120,359 tonnes during Q3 2020, an increase of 5% compared to the third quarter of 2019 due to better mill availability. Average grade during Q3 2020 was 1.59 g/t, a 7% increase over the third quarter of 2019 and an increase of 43% from Q2 2020 when the mine experienced variability to the block model in certain lower areas of the pit. The mill achieved an average recovery rate of 88.5%, an increase from 85.6% achieved in Q3 2019 as a result of the higher-grade profile in Q3 2020.

During the third quarter of 2020, the mine operations produced 187,185 tonnes of ore from the Pine Cove Pit, a 39% increase from Q3 2019, which reflects the lower strip ratio at the lower levels at the Pine Cove Pit compared to the comparative period where the focus was on pushbacks to the Pit. The Company ended the third quarter with an ore stockpile of 100,000 tonnes, which will provide mill throughput in the fourth quarter as the development of Argyle is completed. The Pine Cove Pit has now transitioned to a fully permitted in-pit tailings facility, with over 15 years of capacity at current throughput rates.

During the third quarter, the Company received required permits to initiate development at Argyle. Initial development activities have commenced, including cutting, land clearing and access construction, which allowed for the mining of ore to commence in the middle of October 2020.

Financial Results - Anaconda sold 5,105 ounces of gold during the third quarter of 2020, generating gold revenue of \$12.7 million at an average realized gold price of C\$2,486 per ounce (US\$1,866).

Operating expenses for the three and nine months ended September 30, 2020 were \$4,616,353 and \$15,657,270, respectively, compared to \$4,916,099 and \$14,140,265 in the three and nine months ended September 30, 2019. Operating expenses for Q3 2020 included mining costs of \$2,432,583 and were lower than Q3 2019 primarily due to the 16% decrease in material mined during the quarter. Mining costs of \$7,494,140 for the first nine months of 2020 were higher than the comparative 2019 period due to a 24% increase in material mined at Pine Cove in 2020 compared to Stog'er Tight in 2019. Processing costs of \$2,264,310 in Q3 2020 were lower than the comparative period due to a one-time hydro credit of approximately \$100,000 from the province of Newfoundland. Operating cash costs per ounce sold in the first nine months of 2020 were C\$1,124 (US\$830), and the Company is on track to meet its revised operating cash costs per ounce guidance of C\$1,150 and C\$1,250 per ounce of gold sold (US\$850 - US\$950 at an approximate exchange rate of 0.75).

There was no royalty expense for Q3 2020 compared to \$6,769 in Q3 2019 when production included a small amount of ore from Stog'er Tight, which carries a 3% net smelter royalty. Depletion and depreciation for the three months ended September 30, 2020 was \$924,007 compared with \$1,032,009 recognized in Q3 2019.

Mine operating income for the three months ended September 30, 2020 was \$7,163,270, compared to \$2,823,685 in the corresponding period of 2019, with higher revenue resulting from significantly higher gold prices driving the increase in mine operating income.

Corporate administration costs were \$1,010,599 for Q3 2020, a decrease of 39% from Q3 2019, as a result of one-time severance costs incurred in the comparative period as part of the Company's effort to streamline corporate overhead. The Company also recorded an after-tax gain of \$296,353 (pre-tax loss of \$547,647) associated with the spin-out of the Great Northern and Cape Spencer Projects to [Magna Terra Minerals Inc.](#)

Finance expense for the quarter was \$47,153 for Q3 2020 and \$171,714 for the nine months ended September 30, 2020, compared to \$111,165 and \$303,667 for the three and nine months ended September 30, 2019, respectively. Finance costs in the prior year were higher as a result of a gold loan that was delivered into in Q2 and Q3 2019.

Net comprehensive income for the three months ended September 30, 2020, was \$3,982,777, or \$0.03 per share, compared to a net income of \$1,083,438, or \$0.01 per share. The improvement compared to the three months ended September 30, 2019 was the result of higher mine operating income which was partially offset by a higher net income tax expense, as the Company recorded a current income tax expense of \$973,000 relating to provincial mining tax and a deferred income tax expense of \$688,000 during the three months ended September 30, 2020 (three months ended September 30, 2019 - expense of \$351,000 and a recovery of \$693,000, respectively). For the nine months ended September 30, 2020, net income was \$7,436,040, or \$0.05 per share, compared to \$602,825, or \$0.00 per share for the first nine months of 2019, similarly due to the higher period over period mine operating income, partially offset by a higher net income tax expense, predominantly driven by a significantly higher gold price environment.

## Financial Position and Cash Flow Analysis

As at September 30, 2020, the Company had working capital of \$12,324,785, which included cash and cash equivalents of \$14,755,538. Current taxes payable reflect an estimate of the Newfoundland mining taxes payable for the first three quarters of 2020, with mining taxes of \$563,126 relating to 2019 being paid in the three months ended September 30, 2020.

The current portion of loans includes \$1,465,609 outstanding from a \$5.0 million term loan with the Royal Bank of Canada ("RBC"). The term loan carries a fixed interest rate of 4.6% and performance guarantee fee by Export Development Canada ("EDC") of 1.85%, payable quarterly based on the proportional amount outstanding.

Anaconda generated \$6,183,727 in operating cash flows during the three months ended September 30, 2020, after accounting for corporate administration costs of \$1,010,599. The Point Rousse Project generated EBITDA of \$8,065,905, based on gold sales of 5,105 ounces at an average gold price of C\$2,486 per ounce sold and operating cash costs of C\$901 per ounce sold.

During Q3 2020, the Company continued to invest in its key growth projects in Newfoundland and Nova Scotia. The Company spent \$2,150,374 on exploration and evaluation assets (adjusted for amounts included in trade payables and accruals at September 30, 2020), primarily on the continued advancement of the Goldboro Gold Project and exploration activities at Tilt Cove, and invested \$387,383 into capitalized development for Argyle and sustaining capital for the Pine Cove Mill. During the three months ended September 30, 2020, the Company also generated \$216,140 in net proceeds from the sale of marketable securities.

Financing activities during the three months ended September 30, 2020 included the net proceeds of \$5,463,763 from a non-brokered flow-through private placement completed in July 2020, the ongoing repayment of the RBC term loan, and the repayment of other loans and lease obligations. The Company also received \$330,997 from the exercise of warrants and \$169,701 from the exercise of stock options.

#### Non-IFRS Measures

Anaconda has included in this press release certain non-IFRS performance measures as detailed below. In the gold mining industry, these are common performance measures but may not be comparable to similar measures presented by other issuers. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance and ability to generate cash flow. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

**Operating Cash Costs per Ounce of Gold** - Anaconda calculates operating cash costs per ounce by dividing operating expenses per the consolidated statement of operations, net of silver sales by-product revenue, by the gold ounces sold during the applicable period. Operating expenses include mine site operating costs such as mining, processing and administration as well as royalties, however, excludes depletion and depreciation and rehabilitation costs.

**All-In Sustaining Costs per Ounce of Gold** - Anaconda has adopted an all-in sustaining cost performance measure that reflects all of the expenditures that are required to produce an ounce of gold from current operations. While there is no standardized meaning of the measure across the industry, the Company's definition conforms to the all-in sustaining cost definition as set out by the World Gold Council in its guidance dated June 27, 2013. The World Gold Council is a non-regulatory, non-profit organization established in 1987 whose members include global senior mining companies. The Company believes that this measure will be useful to external users in assessing operating performance and the ability to generate free cash flow from current operations.

The Company defines all-in sustaining costs as the sum of operating cash costs (per above), sustaining capital (capital required to maintain current operations at existing levels), corporate administration costs, sustaining exploration, and rehabilitation accretion and amortization related to current operations. All-in sustaining costs excludes capital expenditures for significant improvements at existing operations deemed to be expansionary in nature, exploration and evaluation related to growth projects, financing costs, debt repayments, and taxes. Canadian and US dollars are noted for realized gold price, operating cash costs per

ounce of gold and all-in sustaining costs per ounce of gold. Both currencies are considered relevant and the Company uses the average foreign exchange rate for the period.

Average Realized Gold Price per Ounce Sold - In the gold mining industry, average realized gold price per ounce sold is a common performance measure that does not have any standardized meaning. The most directly comparable measure prepared in accordance with IFRS is gold revenue. The measure is intended to assist readers in evaluating the revenue received in a period from each ounce of gold sold.

Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") - EBITDA is earnings before finance expense, deferred income tax expense and depletion and depreciation.

Point Rousse Project EBITDA is EBITDA before corporate administration and other expenses (income).

Working Capital - Working capital is a common measure of near-term liquidity and is calculated by deducting current liabilities from current assets.

## ABOUT ANACONDA

Anaconda is a TSX and OTCQX-listed gold mining, development, and exploration company, focused in Atlantic Canada. The company operates mining and milling operations in the prolific Baie Verte Mining District of Newfoundland which includes the fully-permitted Pine Cove Mill, tailings facility and deep-water port, as well as ~11,000 hectares of highly prospective mineral lands including those adjacent to the past producing, high-grade Nugget Pond Mine at its Tilt Cove Gold Project. Anaconda is also developing the Goldboro Gold Project in Nova Scotia, a high-grade resource and the subject of an on-going feasibility study.

## FORWARD-LOOKING STATEMENTS

*This news release contains "forward-looking information" within the meaning of applicable Canadian and United States securities legislation. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects", or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "does not anticipate", or "believes" or 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 information is based on the opinions and estimates of management at the date the information is made, and is based on a number of assumptions and is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Anaconda to be materially different from those expressed or implied by such forward-looking information, including risks associated with the exploration, development and mining such as economic factors as they effect exploration, future commodity prices, changes in foreign exchange and interest rates, actual results of current production, development and exploration activities, government regulation, political or economic developments, risks related to the COVID-19 pandemic, environmental risks, permitting timelines, capital expenditures, operating or technical difficulties in connection with development activities, employee relations, the speculative nature of gold exploration and development, including the risks of diminishing quantities of grades of resources, contests over title to properties, and changes in project parameters as plans continue to be refined as well as those risk factors discussed in Anaconda's annual information form for the year ended December 31, 2019, available on [www.sedar.com](http://www.sedar.com). Although Anaconda has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. Anaconda does not undertake to update any forward-looking information, except in accordance with applicable securities laws.*

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