

# Wesdome Gold Mines Ltd. Announces 2022 Second Quarter Financial Results

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TORONTO, Aug. 10, 2022 - [Wesdome Gold Mines Ltd.](#) (TSX: WDO) ("Wesdome" or the "Company") today announces its second quarter financial results. All figures are stated in Canadian dollars unless otherwise noted.

Duncan Middlemiss, President and CEO commented, "At Eagle River, the one-time challenges which temporarily impacted production, such as the hoist rope manufacturing defect and the leach tank failure have since been addressed. Head grade at Eagle River in Q2 averaged 9.6 g/t, which is below the 2022 grade guidance of 12.1 -13.4 g/t Au. However, once both issues were resolved, we were able to mine and process the significantly higher-grade ore originally planned for June.

At Kiena, the supply chain challenges, which delayed delivery of the underground equipment in Q1 2022 and negatively affected our development rates, have also delayed delivery of key electrical components for the completion of the paste backfill plant. Consequently, the mining rate has been slower to ramp up, which now puts us approximately 3-4 months behind our original 2022 plan. We look forward to the completion of the paste fill plant (now expected to be commissioned in Q4 2022) to speed up our production cycle and mitigate delays.

As previously disclosed on July15, combined production in Q2 was 27,240 ounces resulting in total H1 2022 production of 52,851 ounces. Challenges such as global supply chain related delays, inflationary cost pressures, and lost productivity from COVID related absences persisted into Q2 and beyond. Subsequent to the quarter both operations were shut down for planned maintenance. During July, the Kiena hoist was shutdown for three weeks for planned refurbishment and at Eagle the mill was shutdown for two weeks for annual scheduled maintenance and thickener refurbishment.

As a result of lower production and sales than planned, both cash costs for the quarter of \$1,538 (US\$1,205) and AISC of \$2,020 (US\$1,582) were above our guidance range of \$875 - \$970 (US\$700 - \$775) for cash costs and \$1,270 - \$1,400 (US\$1,015 - \$1,125) per ounce. Free cash outflow for the quarter was \$28.6 million, net of an investment of \$31.2 million in Kiena, or (\$0.20) per share. This is our final year of elevated growth capital (primarily at Kiena) as commercial production is expected in Q4.

In the beginning of the year, the Company set full year 2022 combined production guidance at 160,000 – 180,000 ounces. At Kiena, commercial production will be declared with the successful commissioning of the paste fill plant, which is now expected in Q4. As a result of the paste fill plant delays and the development deficit, we are revising Kiena guidance to 34,000 – 43,000 ounces. At Eagle River Mine, our recent development into the Falcon Zone has indicated that there is more grade variability than initially demonstrated from the 2021 diamond drilling, and we are forecasting lower grades in this zone for the remainder of 2022. However, this has been a zone which has already demonstrated good upside as well with our successful Falcon mining in late 2021 and we would expect this zone to demonstrate the variability associated with high grade chutes of this nature. Consequently, we are revising Eagle's guidance to 85,000 – 95,000 ounces. As a result of the lower production and continued inflationary pressures affecting labour cost and availability, ongoing supply chain issues, and the ongoing pandemic, the company is revising both its cash and AISC costs for the year as per the below table.

2022 Guidance	Initial	Revised	Achievement YTD 2022
Gold production			
Eagle River	95,000 – 105,000 ounces	85,000 – 95,000 ounces	37,090 ounces
Mishi	1,000 – 2,000 ounces	1,000 – 2,000 ounces	1,735 ounces
Kiena	64,000 – 73,000 ounces	34,000 – 43,000 ounces	14,026 ounces
	160,000 – 180,000 ounces	120,000 – 140,000 ounces	52,851 ounces
Head grade (g/t Au)			
Eagle River	12.1 – 13.4	10.5 – 11.7	10.6
Mishi	2.0 – 2.5	2.9 – 3.3	3.3
Kiena	10.6 – 11.8	8.6 – 9.5	9.3
Cash cost per ounce 1			
(US\$700 – US\$775)	\$875 – \$970		
(US\$980 – US\$1085)	\$1,260 – \$1,390		
(US\$1,111)	\$1,412		
All-in Sustaining Cost (AISC) per ounce 1			
(US\$1,015 – US\$1,125)	\$1,270 – \$1,400		
(US\$1,370 – US\$1,520)	\$1,765 – \$1,950		
(US\$1,456)	\$1,851		

“The Company is continuing its aggressive exploration and drilling program for 2022. We are pleased with the recent expansion of the high grade A Zones and Footwall Zones as well as the discovery of the South Limb zone at Kiena. Similarly at Eagle River, the surface and underground drilling has continued to expand known zones such as 300E and Falcon 7 and identified new areas of mineralization both within the mine diorite and surrounding volcanic rocks. The continued discovery of new mineralization demonstrates the upside exploration potential at both sites.”

#### Key operating and financial highlights of the Q2 2022 results include:

- Gold production of 27,240 ounces, including 8,914 Kiena pre-commercial ounces, is a 10% decrease over the same period of the previous year (Q2 2021: 30,375 ounces):
  - Eagle River Underground milled 59,964 tonnes at a head grade of 9.6 grams per tonne for 17,756 ounces produced, a 40% decrease over the same period in the previous year (Q2 2021: 29,836 ounces).
  - Mishi Open Pit milled 7,685 tonnes at a head grade of 2.8 grams per tonne for 570 ounces produced (Q2 2021: 539 ounces).
  - Kiena milled 26,478 tonnes at a head grade of 10.6 grams per tonne for 8,914 pre-commercial ounces produced.
- Revenue of \$61.9 million, a 3% decrease over the same period of the previous year (Q2 2021: \$63.9 million).
- Ounces sold were 26,000 at an average sales price of \$2,380/oz (Q2 2021: 28,500 ounces at an average price of \$2,239/oz).
- Cash margin<sup>1</sup> of \$21.9 million, a 46% decrease over the same period of the previous year (Q2 2021: \$40.6 million).
- Operating cash flows decreased by 55% to \$12.1 million or \$0.08 per share<sup>1</sup> as compared to \$26.9 million or \$0.19 per share for the same period in 2021.
- Free cash outflow of \$28.6 million, net of an investment of \$31.2 million in Kiena, or (\$0.20) per share<sup>1</sup> (Q2 2021: free cash outflow of \$9.1 million or (\$0.07) per share<sup>1</sup>).
- Net loss of \$14.3 million or (\$0.10) per share (Q2 2021: Net income - \$84.9 million or \$0.63 per share) and Net loss (adjusted)<sup>1</sup> of \$5.5 million or (\$0.04) per share (Q2 2021: \$20.6 million or \$0.15 per share)
- Cash position at the end of the quarter of \$23.5 million.
- Cash costs<sup>1</sup> of \$1,538/oz or US\$1,205/oz, an 89% increase over the same period in 2021 (Q2 2021: \$814/oz or US\$663/oz);

- AISC1 increased by 63% to \$2,020/oz or US\$1,582/oz (Q2 2021: \$1,240 or US\$1,009 per ounce) due to lower ounces sold and increased corporate and general expenses.

*1. Refer to the Company's 2021 Annual Management Discussion and Analysis section entitled "Non-IFRS Performance Measures" for the reconciliation of these non-IFRS measurements to the consolidated financial statements.*

## Production and Exploration Highlights Achievements

### *Eagle River Complex*

- Q2 2022 Eagle River underground ore production decreased by 40% from Q2 2021 to 17,756 ounces of gold due to a manufacturing defect on a new hoist rope, resulting in two weeks of lower productivity as ore was trucked to surface, while a new rope was sourced, and one of the leach tanks at the mill, which was previously scheduled to be replaced later this year, failed in mid-June, impacting nearly one week of mill production. Head grade at Eagle River in Q2 2022 averaged 9.6 g/t, which is below the 2022 grade guidance of 12.1 -13.4 g/t Au. Once both issues were resolved, we were able to mine and process the significantly higher grade ore planned for June.
- Q2 2022 cash cost of \$1,395 (US\$1,093) per ounce of gold sold<sup>1</sup> increased by 71% or \$580 per ounce from Q2 2021 due to a 30% decrease in ounces sold, and a 14% increase in overall aggregate site operating costs resulting from increased operating development, general maintenance, and inflationary pressures, driven by higher labour costs and an increase in commodity inputs, including higher fuel and energy costs.
- Q2 2022 AISC of \$1,940 (US\$1,519) per ounce of gold sold<sup>1</sup> increased by 57% or \$701 per ounce from Q2 2021 due to a 30% decrease in ounces sold and a 14% increase in overall aggregate site operating costs resulting from increased operating development, general maintenance, and inflationary pressures, driven by higher labour costs and an increase in commodity inputs, including higher fuel and energy costs.
- Generated a cash margin in Q2 2022 of \$19.7 million compared to \$40.6 million in Q2 2021 due to the 30% decrease in ounces sold, the 14% increase in overall aggregate site operating costs; partially offset by a 6% higher average realized Canadian gold price of \$2,382 per ounce (Q2 2021 - \$2,239 per ounce).
- Definition drilling is focused at the Falcon Zone and 300 E Zone. A record Inferred Resource inventory provides a platform for a potential increase in Reserve replacement for 2022. Definition and expansion drilling has continued to return high grade gold mineralization from the Falcon 7 zone with 90.2 g/t Au over 4.9 m core length (21.2 g/t Au capped, 3.4 m true width) and 87.1 g/t Au over 6.6 m core length. The discovery and initial production from the Falcon 7 Zone reaffirms the potential of the surrounding volcanic rocks to host sizeable deposits of gold mineralization and remains a focus for drilling. New development is being completed along the 355 m Level extending 400 m west of the mine diorite and will provide platforms to test for gold mineralization further along strike, and for parallel zones where surface exploration has returned encouraging results from a region of the mine that has historically been given very little attention.
- Meanwhile, underground exploration drilling is being completed down plunge at the 300E, 711 and 811 zones that remain open down plunge. Additional underground exploration is ongoing further to the east of the current mining areas, in the east-central area of the mine, to test for parallel zones north of the historic 8 and 6 Zones.
- Surface drilling is ongoing with one drill to test the up plunge extension of the Falcon 7 zone near surface and other zones along this trend further to the west. The recent drilling has intersected several well altered and mineralized areas with VG, which is interpreted to be the up plunge extension of the Falcon 7 zone.
- Drilling within the central portion of the mine diorite has intersected the interpreted eastern extension of the 7 zone. Several holes in this area have intersected VG and in the future will be better drilled from underground.
- Also, drilling within the volcanic rocks east of the mine diorite approximately 150 m down dip and the previously mined 2 Zone intersected quartz veining and alteration.

### *Kiena*

- Generated \$2.1 million in cash margin despite the high cash costs of \$2,018 (US\$1,581) per ounce of gold sold<sup>1</sup> due to low pre-commercial production levels. The global supply chain challenges, which delayed delivery of the underground equipment in Q1 2022, have also delayed delivery of key electrical components for the completion of the paste backfill plant. Consequently, the mining rate has been slower to ramp up, which now puts us approximately 3-4 months behind our original 2022 plan. We look forward to the completion of the paste fill plant (now expected to be commissioned in Q4 2022) to speed up our production cycle and mitigate delays.
- Most recently, underground exploration drilling at the Kiena Deep A Zones area has discovered a new mineralized interval (hole 6752W10) located 100 metres below the known limit of A zone resource returning 13.9 g/t Au over 83.2 m core length (9.9 g/t Au capped) (see June 1, 2022 press release).
- Recent drilling has discovered the lateral extension of the A Zone along the South limb of the fold returning 16.5 g/t au over 4.7 m and 17.8 g/t Au over 4.2 m. The discovery of the South limb of the A Zone could significantly add to the resource base.
- Additionally, underground drills have been moved onto the 33 level to test historic zones and encouraging

drill results further to the southeast along strike from the Kiena mine.

- Surface drilling is focused on discovering new zones at the Shawkey and Bourgo zones, where previous drilling has returned encouraging results, and defining and extending the historical Presqu'île and Shawkey Dubuisson areas located northwest and southeast of the Kiena Mine, respectively. These areas are close to the mine infrastructure and represent a potential additional source of ore for the Kiena mill.

### **Wesdome Gold Mines 2022 Second Quarter Financial Results conference call:**

August 11, 2022 at 10:00 am ET. Registration is required.

Registration Link:

<https://register.vevent.com/register/BI6fabe85cad5f48ea97a0b7087d4cb9cb>

Webcast link:

<https://edge.media-server.com/mmc/p/8ft6b4im>

The webcast can also be accessed under the News and Events section of the Company's website ([www.wesdome.com](http://www.wesdome.com))

### **Technical Disclosure**

The technical content of this release has been compiled, reviewed and approved by Frederic Langevin, Eng, Chief Operating Officer, a "Qualified Person" as defined in National Instrument 43-101 -Standards of Disclosure for Mineral Projects.

### **COVID-19**

The health and safety of our employees, contractors, vendors, and consultants is the Company's top priority. In response to the COVID-19 outbreak, Wesdome has adopted all public health guidelines regarding safety measures and protocols at all of its mine operations and corporate office. These protocols are still in place at all sites despite the loosening of some provincial public health guidelines. In addition, our internal COVID-19 Taskforce continues to monitor developments and implement policies and programs intended to protect those who are engaged in business with the Company.

Through care and planning, to date the Company has successfully maintained operations, however there can be no assurance that this will continue despite our best efforts with the emergence of new, highly contagious variants such as Omicron. To date, the company has been impacted by this most recent variant outbreak, with employees at both operations and corporate office becoming infected which may negatively impact our ability to maintain projected timelines and objectives. Consequently, the Company's actual future production and production guidance is subject to higher levels of risk than usual. We are continuing to closely monitor the situation and will provide updates as they become available.

### **ABOUT WESDOME**

Wesdome is a Canadian focused gold producer with two high grade underground assets, the Eagle River mine in Ontario and the recently re-started Kiena mine in Quebec. The Company also retains meaningful exposure to the Moss Lake gold deposit in Ontario through its equity position in Goldshore Resources Inc. The Company's primary goal is to responsibly leverage this operating platform and high-quality brownfield and greenfield exploration pipeline to build Canada's next intermediate gold producer. Wesdome trades on the Toronto Stock Exchange under the symbol "WDO," with a secondary listing on the OTCQX under the symbol "WDOFF."

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*This news release contains "forward-looking information" which may include, but is not limited to, statements with respect to the future financial or operating performance of the Company and its projects. 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 the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements contained herein are made as of the date of this press release and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results 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. The Company undertakes no obligation to update forward-looking statements if circumstances, management's estimates or opinions should change, except as required by securities legislation. Accordingly, the reader is cautioned not to place undue reliance on forward-looking statements. The Company has included in this news release certain non-IFRS performance measures, including, but not limited to, mine operating profit, mining and processing costs and cash costs. Cash costs per ounce reflect actual mine operating costs incurred during the fiscal period divided by the number of ounces produced. These measures are not defined under IFRS and therefore should not be considered in isolation or as an alternative to or more meaningful than, net income (loss) or cash flow from operating activities as determined in accordance with IFRS as an indicator of our financial performance or liquidity. 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.*

Wesdome Gold Mines Ltd.  
Summarized Operating and Financial Data  
(Unaudited, expressed in thousands of Canadian dollars, except per share and per unit amounts and otherwise indicated)

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<https://www.globenewswire.com/news-release/2022/08/10/2496230/0/en/Wesdome-Announces-2022-Second-Quarter->

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