

# High River Gold Mines Ltd. Financial Results for the Third Quarter Ended September 30, 2012

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*(All currency figures are in Canadian Dollars unless otherwise noted)*

[High River Gold Mines Ltd.](#) (TSX: HRG) ("High River" or the "Company") today reported its financial position and operational results for the three month period ended September 30, 2012. The Unaudited Interim Condensed Consolidated Financial Statements and related Notes along with the Management's Discussion and Analysis have been filed on SEDAR ([www.sedar.com](http://www.sedar.com)) and can be viewed on the Company's website at [www.hrg.ca](http://www.hrg.ca).

## HIGHLIGHTS FOR THE THIRD QUARTER 2012

### Financial Results

- Net gold revenue of \$142.6 million, an increase of 5% from \$135.5 million in Q2 2012, an increase of 28% from \$111.5 million in Q3 2011.
- Net income attributable to equity holders of \$35.5 million (\$0.04 per share) compared to a net income of \$31.5 million (\$0.04 per share) in Q2 2012 and a net income of \$41.3 million (0.05 per share) in Q3 2011.
- Cash flow from operations of \$57.9 million, up from \$49.8 million in Q2 2012, and up from \$23.1 million in Q3 2011.
- Cash and cash equivalents increased to \$55.0 million from \$18.0 million at the end of Q2 2012, and down from \$150.0 million at the end of Q3 2011.
- Working capital decreased to \$212.4 million from \$214.8 million at the end of Q2 2012, down from \$296.0 million at the end of Q3 2011.
- Current and long term debt increased to \$10.3 million from \$10.1 million at the end of Q2 2012 and decreased from \$22.7 million at the end of Q3 2011.

### Operations

- Total gold production decreased 5% to 86,906 ounces (Q3 2011 - 91,057 ounces) (100%). Total cash cost per ounce increased 11% to US\$804 per ounce (Q3 2011 - US\$720 per ounce).
- The Zun-Holba and Irokinda gold mines produced 23,891 ounces (Q3 2011 - 34,100 ounces) (100%) at a total cash cost of US\$997 per ounce.
- The Taparko-Bouroum gold mine produced 29,774 ounces (Q3 2011 - 31,391 ounces) (100%) at a total cash cost of US\$817 per ounce.
- Gold production at the Berezitovy mine was 33,241 ounces (Q3 2011 - 25,565 ounces) (100%) at a total cash cost of US\$654 per ounce.
- The Bissa project is on track to deliver first gold in H1 2013 and we now believe that production of gold at Bissa can be started in the earlier part of the announced period. Mining fleet is available on site and started pre-stripping of the pits, while part of the fleet is assisting the tailings storage facility construction. Ball and SAG mills are installed and mechanical alignment is complete. CIL tanks are installed, while piping and other auxiliary mechanical equipment installation and most of electrical work is still to be finished.

### Corporate

- On July 18, 2012, [Nord Gold N.V.](#) ("Nordgold") announced its intention to make a formal offer to acquire the

common shares ("Common Shares") of the Company that Nordgold and its affiliates do not already own, including Common Shares issuable upon exercise of convertible High River securities, for a price per Common Share, at the option of the tendering shareholder, of either: (a) 0.285 global depositary receipts of Nordgold; or (b) \$1.40 in cash (the "Offer").

- On July 18, 2012, the board of directors of the Company (the "Board") established a special committee of independent directors (the "Special Committee") to consider the Offer, alternatives to the Offer and engage a financial advisor to prepare the formal valuation of High River in accordance with Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The Special Committee engaged Paradigm Capital Inc. ("Paradigm Capital") to prepare the formal valuation. The Special Committee also engaged Fraser Milner Casgrain LLP as its legal counsel.

- The Company filed on SEDAR an amended and restated annual information form ("AIF") for the year ended December 31, 2011. The original AIF was filed on March 30, 2012. The amended and restated AIF now provides updated mineral reserve and mineral resource estimates for the Zun- Holba, Irokinda, and Berezitovy mines in Russia, as well as High River's properties in Burkina Faso. In addition, the Company filed updated certificates of the Chief Executive Officer and the Chief Financial Officer for the year ended December 31, 2011, as required under National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings.

- The Company also filed on SEDAR revised technical reports with respect to its Berezitovy and Burkina Faso properties that address minor deficiencies in the original technical reports filed on June 8, 2012. The technical report on the Berezitovy mine entitled "The Berezitovy Project, Russia, NI 43-101 Technical Report" dated July 20, 2012, was prepared by Mark Owen, BSc, MSc, MCSM, CGeol, EurGeol, FGS of Wardell Armstrong International ("WAI"). The technical report on the Taparko- Bouroum gold mine entitled "The Taparko-Bouroum Assets, Burkina Faso, NI 43-101 Technical Report" dated July 20, 2012, was prepared by Dr. Phil Newall, BSc (ARSM), PhD (MCSM), CEng, FIMMM, Director of Mining and Minerals of WAI. The technical report on the Bissa gold project entitled "The Bissa Asset, Burkina Faso, NI 43-101 Technical Report" dated July 20, 2012, was also prepared by Dr. Newall. Each of Mr. Owen and Dr. Newall is a "qualified person" as that term is defined in National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101") and independent of the Company.

## **Subsequent Events**

- On October 22, 2012, High River acknowledged that Nordgold filed its take-over bid circular and formally commenced the previously announced Offer. The valuation prepared by Paradigm Capital was included in the take-over bid circular prepared by Nordgold. In the valuation, Paradigm Capital was of the opinion that, based upon and subject to the analyses, assumptions, qualifications and limitations discussed in the valuation, and such other factors as Paradigm Capital considered relevant, as of October 16, 2012, the fair market value of High River was in the range of \$1.33 to \$1.80 per share. Furthermore, Paradigm Capital was of the opinion that, as of October 16, 2012, the value of Nordgold was in the range of \$4.02 to \$6.60 per share.

- On October 31, 2012, High River announced that it mailed to its shareholders a Directors' Circular as required by applicable securities laws in response to the Offer. A copy of the Directors' Circular is available online at [www.sedar.com](http://www.sedar.com). The Board of High River (with those directors who are nominees of Nordgold abstaining), upon the unanimous recommendation of its Special Committee, unanimously recommended that High River shareholders accept the Offer and tender their Common Shares to the Offer.

## **DISCUSSION OF FINANCIAL RESULTS**

### **Selected Financial Results**

The Company reported a net income of \$35.5 million (\$0.04 per share) in Q3 2012 compared to a net income of \$31.5 million (\$0.04 per share) during Q2 2012 and net income of \$41.3 million (\$0.05 per share) in Q3 2011.

In thousands of Canadian dollars  (except per share amounts)	Three months ended			Nine months ended	
	September 30, 2012	June 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Gold revenue	\$ 142,660	\$ 135,526	\$ 111,544	\$ 417,083	\$ 370,112
Net income (loss)	35,544	31,576	41,318	124,757	119,993
Net income (loss) per share (basic)	0.04	0.04	0.05	0.15	0.14
Cash provided by (used in) operating activities	57,915	49,812	23,131	179,159	119,542
Weighted average number of shares outstanding (basic)	840,218,962	840,218,962	840,218,962	840,218,962	840,218,962

## About High River

[High River Gold](#) is an unhedged gold company with interests in producing mines, development and advanced exploration projects in Russia and Burkina Faso. Two underground mines, Zun-Holba and Irokinda, are situated in the Lake Baikal region of Russia. Two open pit gold mines, Berezitovy in Russia and Taparko-Bouroum in Burkina Faso, are also in production. Finally, High River has a 90% interest in a development project, the Bissa gold project in Burkina Faso, and a 50% interest in an advanced exploration project with NI 43-101 compliant resource estimates, the Prognoz silver project in Russia.

## FORWARD LOOKING INFORMATION

*This release contains forward-looking statements. Wherever possible, words such as "intends", "expects", "scheduled", "estimates", "anticipates", "believes", and similar expressions or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, have been used to identify these forward-looking statements. Although the forward-looking statements contained in this release reflect management's current beliefs based upon information currently available to management and based upon what management believes to be reasonable assumptions, High River cannot be certain that actual results will be consistent with these forward-looking statements. A number of factors could cause events and achievements to differ materially from the results expressed or implied in the forward-looking statements. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Forward-looking statements necessarily involve significant known and unknown risks, assumptions and uncertainties that may cause High River's actual results, events, prospects and opportunities to differ materially from those expressed or implied by such forward-looking statements. Although High River has attempted to identify important risks and factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors and risks that cause actions, events or results not to be anticipated, estimated or intended, including those risk factors discussed in the Company's most recent Annual Information Form. There can be no assurance that the forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, prospective investors should not place undue reliance on forward-looking statements. Any forward-looking statements are made as of the date of this release, and High River assumes no obligation to update or revise them to reflect new events or circumstances, unless otherwise required by law.*

High River Gold Mines Ltd.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

For the three and nine months ended 30 September

(In thousands of Canadian Dollars)

	Three months ended		Nine months ended	
	30 September, 2012	30 September, 2011	30 September, 2012	30 September, 2011
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Revenue				
Gold	142,660	111,544	417,083	370,112
Silver	2,011	2,292	5,375	7,194
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	144,671	113,836	422,458	377,305
Cost of sales	(92,515)	(52,621)	(249,568)	(189,103)
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Gross Profit	52,155	61,216	172,889	188,202
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General and administrative expenses	(2,788)	(933)	(3,915)	(2,310)
Other expenses, gains and losses	1,349	(8,833)	571	(17,877)
Interest income	2,043	4,112	8,156	7,134
Finance costs	(1,269)	(2,037)	(3,926)	(5,166)
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Profit before income taxes	51,490	53,526	173,776	169,984
Income tax expense	(12,741)	(6,512)	(36,807)	(33,040)
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Profit for the year	38,749	47,014	136,969	136,943
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Attributable to:				
Non-controlling interest	3,205	5,696	12,212	16,951
Equity holders of the Company	35,544	41,318	124,757	119,993
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Profit for the year	38,749	47,014	136,969	136,943
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Other Comprehensive (loss) Income				
Net (loss) gains on available for sale financial assets	17,765	(11,592)	2,866	(13,515)
Exchange differences on translation of foreign operations	(3,123)	(2,597)	(14,759)	9,287
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Other comprehensive (loss) income, net of tax	14,642	(14,189)	(11,893)	(4,228)
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Attributable to:				
Non-controlling interest	3,205	5,696	12,212	16,951
Equity shareholders of the Company	50,186	27,129	112,865	115,765
Comprehensive Income, net of tax	53,392	32,824	125,076	132,715
Profit attributable to equity holders of the Company	35,544	41,318	124,757	119,993
Weighted average number of ordinary shares outstanding	840,218,962	840,218,962	840,218,962	840,218,962
Basic and diluted earnings per share	0.04	0.05	0.15	0.14

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
(In thousands of Canadian Dollars)

	As at 30 September, 2012	As at 31 December, 2011
ASSETS		
Current Assets		
Cash & cash equivalents	55,045	162,310
Inventories	142,755	121,690
Loans to related parties	63,922	24,360
Other assets	53,241	37,690
	314,963	346,050
Non-Current Assets		
Exploration and evaluation assets	101,898	80,035
Mine properties	103,556	107,105
Property, plant & equipment	412,372	244,131
Available for sale financial assets	89,361	86,023
Loans to related parties	49,363	57,219
Other assets	3,090	9,654
Deferred tax assets	77,606	77,610
	837,245	661,777
TOTAL ASSETS	1,152,208	1,007,826
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	82,835	51,566
Loans and other borrowings	10,356	20,531
Derivative Financial Liabilities	-	-
Income tax payable	9,368	17,846

	102,559	89,942
Non-Current Liabilities		
Loans and other borrowings		-
Provisions	19,956	19,147
Deferred tax liabilities	102,003	93,957
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	121,959	113,104
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TOTAL LIABILITIES	224,517	203,047
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EQUITY		
Share Capital	640,157	640,157
Contributed surplus	25,079	25,079
Available for sale reserve	73,797	70,930
Foreign currency translation reserve	(59,830)	(45,071)
Retained Earnings/(Deficit)	183,273	58,515
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Equity attributable to equity holders of the Company	862,476	749,610
Non-controlling interest	65,215	55,169
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TOTAL EQUITY	927,691	804,779
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TOTAL LIABILITIES AND EQUITY	1,152,208	1,007,826
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 INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
 (Expressed in thousands of Canadian Dollars)

OPERATING ACTIVITIES	Year to Date	
	30 September, 2012	30 September, 2011
	-----	-----
Profit after income taxes	136,969	136,943
Adjustments to profit for non-cash items		
Depreciation and amortization	47,134	42,293
Accretion expense	911	1,087
Write-down of exploration	-	2,122
Loss/(gain) on disposal of investments	(167)	(463)
Non-cash mining costs	(563)	2,415
Gain/(loss) on disposal of property, plant and equipment	15	(258)
Deferred tax expense	43,566	13,286
Other non-cash items	(1,350)	5,881
Working Capital Adjustments		
Change in trade receivable and other assets	(17,304)	(12,075)
Change in inventories	(21,065)	(52,483)
Change in other assets	1,481	(17,874)
Change in accounts payable and accrued liabilities	26,149	5,173
Income tax paid	(36,617)	(6,504)
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NET OPERATING CASH FLOWS	179,159	119,542
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## INVESTING ACTIVITIES

Investment in exploration and evaluation assets	(25,888)	(32,354)
Expenditure on property, plant and equipment	(223,077)	(49,607)
Other Investing activities	(797)	(455)
Proceeds on sale of property, plant and equipment	111	1,325
<b>NET INVESTING CASH FLOWS</b>	<b>(249,651)</b>	<b>(81,091)</b>

## FINANCING ACTIVITIES

Payments of loans and borrowings	(10,597)	(72,120)
Other Financing activities	(23,978)	(41,810)
Dividends paid to minority interest	(2,165)	-
Proceeds from exercise of share options	-	67,336
<b>NET FINANCING CASH FLOWS</b>	<b>(36,741)</b>	<b>(46,594)</b>

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Increase (decrease) in cash and cash equivalents

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Net foreign exchange difference

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