Guyana Goldfields Inc. Reports Second Quarter 2018 Operational and Financial Results

30.07.2018 | CNW

TORONTO, July 30, 2018 /CNW/ - Guyana Goldfields Inc. (TSX: GUY) (the "Company") reports its 2018 second quarte operational and financial results. All amounts are expressed in U.S. dollars unless otherwise stated. A conference call w tomorrow, Tuesday, July 31st at 10:00 am ET to discuss second quarter results and details of the call can be found at th this release. The Company previously announced its second quarter gold production results from mining operations on 2018.

Q2 2018 Results Summary

- Gold sales of 31,700 ounces at a total cash cost (before royalty)[1] of $864 per ounce of gold sold. Cost of sales (in production costs, royalty and depreciation) was $1,137 per ounce while all-in sustaining costs[1] were $1,186 per o
- Gold production was below planned levels primarily due to slower than anticipated ramp-up in mining rates, which access to higher-grade ore during the quarter.
- STRACON S.A. ("STRACON"), a leading world class contract miner, commenced open pit waste stripping operat end of the quarter.
- Mill throughput continued at record levels averaging 7,100 tonnes per day ("tpd") for the quarter, while maintainin of 91.4% (92.6% for June 2018).
- The second phase of the mill expansion progressed in line with schedule with engineering approximately 90% co construction approximately 20% complete.
- The Company has initiated the bidding process for the underground development contract with initial developmen commence in the fourth quarter of 2018. The initial underground mining fleet, owned by the Company, began mo Guyana in July 2018.
- Revised 2018 annual production and cost guidance to 175,000-185,000 ounces of gold produced at cost of sales $955 per ounce, all-in sustaining cost[1] of $945 - $995 per ounce, and cash cost (before royalty)[1] of $535 - $585 p

Scott A. Caldwell, President & CEO stated, "Despite a disappointing quarter from both a production and cost perspectiv remain confident that the second quarter was a result of short-term operational setbacks and remain comfortable with l forecasts. With the equipment and contractor now on site and fully mobilized, our mining rate has already shown an imp in July with a peak mining rate of approximately 63,000 tpd. For the month of July, gold production is estimated to be 1 ounces which exceeds the monthly forecast. The mill processed approximately 5,850 tpd of ore at an average head gra grams per tonne gold with gold recoveries averaging 94.8% while undergoing a 48-hour planned mill downtime and rec maintenance on the primary crusher. With production always scheduled to be heavily back-end weighted for the year, w confident we will meet revised guidance and conclude the year with a strong finish."

Aurora Gold Mine Operational Statistics

		Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
Ore mined (tonnes)	Tonnes (000's)	467	984
Waste mined	Tonnes (000's)	3,148	5,914
Total Mined	Tonnes (000's)	3,614	6,898
Strip ratio	Waste:ore	6.7	6.0
Tonnes mined per day	tpd	39,700	38,100
Ore processed	Tonnes (000's)	646	1,251
Tonnes processed per day	tpd	7,100	6,900
Head grade	g/t Au	1.65	1.90
Recovery	%	91.4	91.6
Gold Produced	ounces	28,250	66,750
Gold Sold	ounces	31,700	69,750
Average Realized Gold Price	($/ounce)	1,300	1,318

Q2 2018 Operational Results Summary

- Gold production of 28,250 ounces based on mill throughput of 646,000 tonnes at an average head grade of 1.65 tonne gold ("g/t Au") and an average recovery of 91.4%. Gold production was below planned levels primarily due than anticipated ramp up in mining rates, which limited access to higher-grade ore during the quarter. As higher-g are planned to be mined during the second half of the year, production is expected to increase in-line with guidan
- The Company achieved a record daily average mining rate for the second quarter of 39,700 tpd, with an average 6.7 waste to ore. The mining rate was below planned rates, which limited access and therefore mining of higher g The lower than planned mining rate was a result of the late arrival of new equipment to the Company's mining flee as the later than planned mobilization of the contract miner. During the second quarter, 10 new fixed-frame 40-to haulage trucks arrived at site and were commissioned while an additional 5 trucks were commissioned subseque quarter-end. In addition, the contract miner, STRACON, began moving initial tonnes in the final week of the seco and are expected to achieve planned production rates in the third quarter.
- The mill continued to achieve new record throughputs, processing 646,100 tonnes in the quarter or an average of Throughput was higher than budgeted levels due to the completion of the Phase 1 mill expansion and increased r utilization.
- The mill head grade was lower at 1.65 g/t Au in the quarter and was due to lower than planned mining rates which lower than planned high grade ore delivered to the mill. Throughput was maintained during the quarter with ore fe grade stockpiles. Gold recoveries of 91.4% (92.6% in June 2018) exceeded management expectations during th especially considering the lower head grades.

Q2 2018 Selected Financial Information

(in thousands of dollars, except ounces, per ounce and per share figures)	Three Months Ended June 30, 2018		Six Months Ended June 30, 2018	
Revenues	$	41,196	$	91,930
Cost of sales	$	36,029	$	70,774
Earnings (loss) from mine Operations	$	5,167	$	21,156
Corporate general and administrative expenses	$	3,060	$	5,919
Exploration and evaluation expenses	$	1,654	$	2,973
Finance (income) expense, net	$	(933)	$	(569)
Deferred tax expense	$	180	$	3,238
Net earnings (loss)	$	1,206	$	9,595
Comprehensive income (loss)	$	1,307	$	694
Net earnings per share (EPS)	$		$	
Basic	$	0.01	$	0.06
Diluted	$	0.01	$	0.06
	$		$	
Gold ounces sold	$	31,700	$	69,750
Average realized selling price per ounce	$	1,300	$	1,318
Cost of sales per ounce	$	1,137	$	1,015
Cash costs per ounce before royalty[1]	$	864	$	726
All-in sustaining cost per ounce[1]	$	1,186	$	1,052

Q2 2018 Financial Performance Summary

- A total of 31,700 ounces of gold were sold with an average realized gold price of $1,300 per ounce, resulting in re $41.2 million.
- Unit costs were higher than management's initial estimates. The unit costs per ounce sold were impacted by the expected gold production and sales. With the increased throughput and the higher grade expected during the se the year, management is confident in its ability to meet the revised unit cost guidance.
- Net earnings for the second quarter of 2018 amounted to $1.2 million ($0.01 earnings per diluted share).
- The Company finished the second quarter with a cash balance of $62.7 million. This strong cash position provide Company with ample capacity to meet its most significant near-term liquidity requirements which consist of capita commitments of $8.5 million and scheduled principal debt repayments of $20.0 million over the next four quarters 30, 2018, $50 million of principal debt was outstanding.
- At June 30, 2018, the Company had a total of 32,400,000 litres of diesel forward contracts at an average rate of $ which will settle on a net basis, covering subsequent periods that end into 2020.

Revised 2018 Production and Cost Guidance

The Company had a weaker second quarter of 2018 from both a production and cost perspective. The primary driver behind the results was lower than planned mining rates for the year, which delayed access to higher grade ore envisioned to be mined toward the end of the second quarter. Mining rates were adversely impacted by the later than planned arrival of additional trucks to the Company's haulage fleet and mobilization of the open pit contract miner.

As communicated in the original guidance, production is expected to be weighted towards the second half of the year due to mine sequencing and higher-grade ore release in the third and fourth quarters. Given the results of the second quarter, management is revising production and costs guidance as outlined in the table below. Despite the shortfall in ounces for the second quarter, management believes this was a short-term setback, and remains comfortable with longer term forecasts, as the ounces have not been depleted.

During the second quarter, 10 new fixed-frame 40 tonne haulage trucks arrived at site and were commissioned while an additional five trucks were commissioned subsequent to quarter-end. The new units will replace the Company's existing higher operating cost units. With the Company's new mine haulage equipment on site, and the contract miner fully mobilized, the mining rate has shown improvements reaching new records in excess of 60,000 tpd during the month of July, which is in line with the forecast mining rate ramp up. The mining rate is expected to be approximately 75,000 tpd by the end of the third quarter and through the fourth quarter of 2018, at lower than current unit costs. With the increased throughput and the higher grade expected during the second half of the year, management is confident in its ability to meet the revised production and cost guidance.

2018 Guidance	Previous	Revised
Gold production (000's ounces)	190-210	175-185
Cost of sales (production costs, royalty & depreciation) ($ per ounce)	$850-$900	$905-$955
Cash cost¹, excluding royalty ($ per ounce)	$430-$480	$535-$585
All-In Sustaining Cost¹ ($ per ounce)	$830-$880	$945-$995

Mill Expansion

The second phase of the mill expansion progressed in line with schedule during the second quarter with engineering approximately 90% complete and construction approximately 20% complete. Positive progress was also made during the quarter on the procurement of all long lead?time items. Based on the highly encouraging results from trials supplementing mill feed with pre-crushed ore, as well as the higher than expected increase in recoveries from the Phase 1 expansion, the scope of the second phase of the mill expansion has been reduced to include only the addition of a pre-crushing circuit. The original scope envisaged the addition of the pre-crush circuit along with a 1,000 tpd ball mill. The Company expects that when completed, the second phase of the mill expansion will achieve 7,500 tpd of hard rock with gold recoveries in excess of 94%. The installation of the ball mill has been deferred while the Company evaluates the improvements in production from the other components of the mill expansion. This has resulted in a 2018 capital savings of $2 million. Completion of the second phase of the mill expansion remains on schedule for the end of the fourth quarter of 2018.

Underground Mining

The Company has initiated the bidding process for the underground development contract with the target of development commencing in the fourth quarter of 2018. The contract is expected to be awarded in the third quarter with mobilization commencing in the fourth quarter. The initial phase of the decline will be completed in 2019 providing access for exploration drilling, development drilling and initial production development. The decline is designed to access all principal underground mining areas, including some higher-grade areas that may provide supplemental mill feed during the development period.

Exploration Activities – Brownfields

The Company initiated a seven-hole (3,500 meter) diamond drill program during the second quarter at East Walcott. The program is focused on the delineation of higher grade mineralization within East Walcott to assist with underground planning including finalizing the location of the second underground portal. Five of the seven holes have been completed with the remaining holes expected to be completed during the third quarter. Assay results from this program will be released once they have all been received.

Exploration Activities – Greenfields

Wynamu

A shallow drill program commenced in 2017 to test a significant gold anomaly in soils and trench. As of the end of the second quarter a total of seven holes were drilled to an aggregate depth of 812m. A ground magnetic survey commenced during the second quarter. The survey has covered more than 50 line-km of the more significant gold anomalous trends including the areas that were drill tested during the first half of 2018. Ground magnetics data are currently under review for processing and interpretation. For complete drill results, please visit the exploration section within the June 30, 2018 Management's Discussion and Analysis.

Iroma

Drilling at Iroma got underway in late October 2017 and has continued into 2018. Gold mineralization is associated with north-northwest trending zones along an 8.5 km central zone of anomalous gold. Five coherent gold zones were delineated along this northwest trending corridor. The drill program is focused to follow up on and test in the bedrock significant results of the saprolite drilling completed in 2013.

In the second quarter, the main activities conducted were drilling, trenching, and grid soil sampling. A total of five holes were drilled to an aggregate depth of 1,184 metres. For complete drill results, please visit the exploration section within the June 30, 2018 Management's Discussion and Analysis.

Arangoy

Soil sampling conducted within the vicinity of the greenstone and intrusive lithological contact indicated a coherent gold anomaly in soils measuring roughly 1 km by 0.5 km. A trenching and drilling program is currently being planned to test the gold anomaly.   A camp was established and equipment mobilized to the site during the second quarter.

This release should be read in conjunction with the Company's second quarter 2018 financial statements and MD&A report on the Company's website, www.guygold.com, in the "Financial Reports" section under "Investors", or on the SEDAR website at www.sedar.com.

Second Quarter 2018 Earnings Conference Call

A conference call will be held on Tuesday, July 31, 2018 at 10:00 am ET to discuss second quarter 2018 operational and financial results.

A webcast will be available on the Company's website for 90 days following the call or through the following link: https://event.on24.com/wcc/r/1794263/C971239EB2C0E5ED5265B96F94B36A02

Conference Call Details:

Date: Tuesday, July 31, 2018

Time: 10:00am EST

Conference ID: 12269346

Dial-In Numbers:

North America Toll-Free: 888-390-0605

International: 416-764-8609

A recorded playback of the call will be available until August 7, 2018 by dialing: 1-888 390 0541 or 416-764-8677 and entering the call back passcode 269346.

Non-IFRS[1] Performance Measures

The Company has included certain non-IFRS performance measures in this MD&A. These measures are not defined under IFRS and should not be considered in isolation. The Company believes that these measures, together with measures determined in accordance with IFRS, provide investors with an improved ability to evaluate the underlying performance of the Company. The inclusion of these measures is meant to provide additional information and should not be used as a substitute for performance measures prepared in accordance with IFRS. These measures are not necessarily standard and therefore may not be comparable to other issuers.

The Company has applied the World Gold Council's June 2013 published guidance in reporting cash costs and all-in sustaining costs to its mining operations. Adoption of cash costs and all-in sustaining cost metrics is voluntary and not necessarily standard, and therefore, these measures presented by the Company may not be comparable to similar measures presented by other issuers. The Company believes that the cash costs and all-in sustaining cost measures complement existing measures reported by the Company.

Total cash costs per ounce

Total cash costs are a common financial performance measure in the gold mining industry but with no standard meaning under IFRS. The Company reports total cash costs on a sales basis. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, such as sales, certain investors use this information to evaluate the Company's performance and ability to generate operating earnings and cash flow from its mining operations. Management uses this metric as an important tool to monitor operating cost performance.

Total cash costs include production and royalty costs. Production costs include mining, processing, refining and transportation, and site administration, and in total are then divided by gold ounces sold to arrive at total cash costs per gold ounce sold. This measure also includes other mine related costs incurred such as mine standby costs and any current inventory write downs. Production costs are exclusive of depreciation. Other companies may calculate these measures differently.

All-in sustaining cost per ounce

"All-in sustaining cost per ounce" is also a non-IFRS performance measure. The Company believes this measure more fully defines the total costs associated with producing gold; however, this performance measure has no standardized meaning. Accordingly, there may be some variation in the method of computation of "all-in sustaining cost per ounce" as determined by the Company compared with other mining companies. In this context, the Company calculates AISC as the sum of total cash costs (as described above), share-based compensation, corporate general and administrative expense, exploration and evaluation expenditures that are sustaining in nature (defined as brownfields exploration on the Company's Mining Licence), reclamation cost accretion, sustaining capital including deferred stripping (defined in further detail below), and realized gains and losses on diesel derivative contracts, all divided by the gold ounces sold to arrive at a per ounce figure.

Sustaining capital expenditures are expenditures that do not increase annual gold ounce production at a mine site and excludes expenditures at the Company's development projects as well as expenditures that are deemed expansionary in nature.

Additional IFRS financial performance measures

The Company has included the additional IFRS measure "Earnings from mine operations" in the financial statements. Management believes that that "Earnings from mine operations" provides useful information to investors as an indication of the Company's principal business activities before consideration of how those activities are financed, and before sustaining capital expenditures, corporate general and administrative expenses, exploration and evaluation expenses, stock-based compensation, non-mine related depreciation, net finance expenses, and taxation.

About Guyana Goldfields Inc.

Guyana Goldfields Inc. is a Canadian based mid-tier gold producer primarily focused on the exploration, development and operation of gold deposits in Guyana, South America.

Forwarding-Looking Information

This news release contains "forward-looking information" which may include, but is not limited to, statements with respect to the estimation of mineral resources. Often, but not always, forward-looking statements can be identified by the use of words and phrases 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 are based on the opinions and estimates of management as of the date such statements are made and are based on various assumptions.

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. Such factors include, among others, the receipt of applicable regulatory approvals, the timing of the advance of the funds pursuant to the project loan facility to fund the development and construction of the Aurora Gold Project (the "Facility"), fulfilling all conditions precedent to the advance of funds pursuant to the Facility, general business, economic, competitive, political and social uncertainties; the actual results of exploration activities; changes in project parameters as plans continue to be refined; accidents, labour disputes and other risks of the mining industry; political instability; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the section entitled "Risk Factors" in GGI's annual information form. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this news release and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results, except as may be required by applicable securities laws. 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.

[1] This is a non-IFRS measure. Refer to "Non-IFRS Performance Measures" section in the June 30, 2018 MD&A

SOURCE Guyana Goldfields Inc.

Contact

Guyana Goldfields Inc., Scott A. Caldwell, President and Chief Executive Officer; Jacqueline Wagenaar, Vice President, Investor Relations & Corporate Communications, Tel: (416) 628-5936 Ext. 5295, Fax: (416) 628-5935, E-mail: jwagenaar@guygold.com, Website: www.guygold.com