

# Galantas Reports Results for the Quarter Ended March 31, 2020

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TORONTO, July 09, 2020 - [Galantas Gold Corp.](#) (the "Company" or "Galantas") (TSXV & AIM : Symbol GAL) is pleased to announce its financial results for the Quarter ended March 31, 2020.

## Financial Highlights

Highlights of the first quarter 2020 results, which are expressed in Canadian Dollars, are summarized below:

<i>All in CDN\$</i>	Quarter Ended March 31	
	2020	2019
Revenue	\$ 0	\$ 0
Cost and expenses of Operations	\$ (35,836 )	\$ (70,026 )
Loss before the items below	\$ (35,836 )	\$ (70,026 )
Amortization	\$ (88,727 )	\$ (87,405 )
General administrative expenses	\$ (656,768 )	\$ (602,429 )
Unrealized gain on fair value of derivative financial liability	\$ 0	\$ 0
Foreign exchange gain (loss)	\$ 101,016	\$ (19,657 )
Net (Loss) for the Quarter	\$ (680,315 )	\$ (779,517 )
Working Capital (Deficit)	\$ (7,299,380 )	\$ (2,702,004 )
Cash (loss) generated from operations before changes in non-cash working capital	\$ (348,899 )	\$ (391,037 )
Cash at March 31, 2020	\$ 936,560	\$ 3,767,187

Revenue for the Quarters ended March 31, 2020 and 2019 amounted to \$Nil for both periods. Shipments of concentrate had commenced during the second quarter of 2019. Concentrate sales provisional revenues totaled approximately US\$ 186,000 for the first quarter of 2020. However, until the mine commences commercial production, the net proceeds from concentrate sales are being offset against Development assets.

The Net Loss for the quarter ended March 31, 2020 amounted to \$ 680,315 (2019: \$ 779,517) and the cash outflow from operating activities before changes in non-cash working capital items for the quarter ended March 31, 2020 amounted to \$ 348,899 (2019: \$ 391,037).

The Company had cash balances of \$ 936,560 at March 31, 2020 compared to \$ 3,767,187 at March 31, 2019. The working capital deficit at March 31, 2020 amounted to \$ 7,299,380 compared to a working capital deficit of \$ 2,702,004 at March 31, 2019.

Subsequent to March 31, 2020 Galantas reported a proposed private placement of common shares and amendments to the terms of its loan facility with Ocean Partners UK Ltd both of which are subject to TSXV and regulatory approval. The private placement is expected to include funds raised in both UK and Canadian currency and is for a maximum of 2,833,132 shares, at an issue price of \$ 0.225 (UK? 0.1328) per share for maximum gross proceeds of \$ 637,454 (UK? 376,240). Provisional indications have been received for the maximum amount. The placement will be brokered and insiders of the Company are expected to participate in the placement. Galantas has also agreed on terms, subject to final documentation, of an increase of USD\$ 200,000 on the outstanding loan with Ocean Partners UK Ltd. The interest rate applicable on the outstanding loan will be increased from USD 12 month LIBOR + 8.75% to USD 12 month LIBOR + 9.9% and the maturity date will be extended from 30 December 2020 to 31 December 2021. As consideration for amending the terms of the loan, Ocean will receive, upon closing of the agreements, 1,700,000 bonus warrants of Galantas subject to the rules of TSXV Policy 5.1 &#8211; Loans, Loan Bonuses, Finder&#8217;s Fees and Commissions. Each bonus warrant will be exercisable for one common share of Galantas at an exercise price of \$0.33 per bonus share, being 110% of the TSXV closing price the day before the announcement.

The net proceeds to be raised by the private placement and the additional Ocean Partners loan are intended to be used to support mine operations and provide general working capital for the Company.

## Production/Mine Development

Underground development of the decline tunnel at the Omagh gold mine, located at the base of the existing open pit, commenced in early 2017 and the mine commenced limited production of gold concentrate during the third quarter of 2018. Underground development of the decline tunnel continued to be progressed during 2018 and 2019 from feed produced in the development of the Kearney vein. The plant had continued limited production of a gold & silver concentrate using a non-toxic, froth-flotation process, ran on a batch basis from a stockpile of underground vein material plus additional feed produced from on-vein development operations until the temporary suspension of blasting at the mine during the fourth quarter of 2019 (see Press release dated October 29, 2019). Blasting operations were being limited since all blasting must be supervised by the Police Service of Northern Ireland (PSNI) and were not sufficient for the desired level of operations. The Company had been working with the PSNI to increase blasting availability to normal levels for an underground mine. While progress has been made and substantive investment incurred in accordance with recommendations the Company was still awaiting final approvals from the authorities to be able to implement its increased blasting protocols prior to the suspension. The arrangements, at that time were not sufficient to allow for the expansion of mine operations as envisaged by the Company's existing mine plan and until changes were agreed, the present inefficiencies caused by those arrangements form an increasing financial burden, which has proved a significant drain on the financial resources of the Company. Accordingly, to reduce costs the numbers employed at the operation were reduced from 46 to 21. Some mine operations continued at the Omagh gold mine, on a single shift. Subsequent to March 31, 2020 Galantas reported that confirmation has been received from PSNI, in regard to their satisfaction of certain secure storage and handling protocols required for an increase in blasting to a commercial level subject to financial matters being agreed. The Company now understands that these financial matters have now been mutually agreed. Ore production is suspended until finance is available to expand the underground operation.

During 2019 underground development of the decline tunnel had continued to be progressed with further crosscuts allowing access to lower levels of vein development which forms the development necessary to demarcate production panels. Prior to the suspension of blasting, the access drive on the fourth (1060) level has intersected the Kearney vein ahead of schedule and the intersection showed strongly developed mineralization. The north and south faces of the vein were channel sampled. The average of the two channels was 8.35 g/t gold over an average true width of 2.65 metres (Press release July 22, 2019). The Company also reported that drivage from the 1072 access had been taken northwards, in-vein, for approximately 40 metres. Mineralisation beyond the first 20 metres is currently excluded from the geological model, due to paucity of data. The mineralization was shown to be persistent and has been followed in an in-vein development. Two channel samples, taken across the face as the drivage was developed at 24.1m and 27.6m into the third level (1072) north development, showed a grade of 6.2g/t gold and 16.3 g/t gold respectively, each with a true width of 3 metres (Press release July 22, 2019). The vein will continue to be followed northwards on the third (1072) level and elevates potential for additional mineralisation to be added to the resource model if discovered on the adjacent first (1096), second (1084) and fourth (1060) levels. At the time the suspension of blasting was reported, underground drivages had been developed to expose the main Kearney vein on four levels with a fifth level at the point of intersection. The mine is serviced by a decline tunnel of 1 in 6 gradient, of dimensions approximately 4.5m by 4.5m.

A probe drilling campaign was subsequently carried out using the retained personnel and equipment. The results of this campaign, combined with detailed mapping of the exposed mineralisation underground suggests zones of higher width of mineralisation within the vein, linking adjacent levels. This supports an implication that such zonal mineralisation may continue at depth, with enhanced exploration potential for targeting gold resources particularly to the north and within the Company's license area. Probe drilling does not provide samples suitable for use in mineral resource estimates but can provide strong indications where mineralisation is concentrated and is of significantly less cost than core drilling. Subsequently in May 2020, the Company reported that it had filed a short technical report in respect of the probe drilling campaign. The report is available on [www.sedar.com](http://www.sedar.com) and [www.galantas.com](http://www.galantas.com).

Milling operations had progressed during 2019 and moved to a two-shift basis in the third quarter. The processing plant, which was used formerly for open-pit operations, has had the benefit of a recent upgrade. Following the suspension of blasting operations at the mine, the processing plant continued to operate on a limited basis in the near term and is being fed from stock. In March 2020 and following UK government guidelines regarding Covid-19, processing operations temporarily ceased until later in May when the

Company announced that concentrate processing has recommenced. The company carried out maintenance to the processing plant during the milling suspension, to minimise future maintenance interruptions. The restart follows a review of Northern Ireland / UK government health advice regarding Covid-19, a risk assessment and the introduction of appropriate modifications to working practices. Feedstock for the processing plant is from low grade stock until suitable arrangements are in place to recommence development underground. The number of employees that had been furloughed during the first quarter under a NI/UK government scheme has been recently reduced from seven to three. Shipments of concentrate under the off-take arrangements had commenced during the second quarter of 2019. For the first quarter of 2020 provisional revenues from concentrate sales totalled US\$186,000. Until the mine reaches the commencement of commercial production, the net proceeds from concentrate sales will be offset against Development assets.

The Company is seeking strategic alternatives including reviewing its licenses and operations; and considering the possibility of engaging in a sale, joint venture, partnership or other options with third parties and alternative financing structures. The Company is actively engaged in that process.

Safety is a high priority and the company continued to invest in safety-related training and infra-structure. The zero lost time accident rate since the start of underground operations, continues. Environmental monitoring demonstrates a high level of regulatory compliance.

The detailed results and Management Discussion and Analysis (MD&A) are available on [www.sedar.com](http://www.sedar.com) and [www.galantas.com](http://www.galantas.com) and the highlights in this release should be read in conjunction with the detailed results and MD&A. The MD&A provides an analysis of comparisons with previous periods, trends affecting the business and risk factors.

#### Qualified Person

The financial components of this disclosure has been reviewed by Leo O'Shaughnessy (Chief Financial Officer) and the production component by Roland Phelps (President & CEO), qualified persons under the meaning of NI. 43-101 and AIM requirements. The information is based upon local production and financial data prepared under their supervision.

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS:** This press release contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 and applicable Canadian securities laws, including revenues and cost estimates, for the Omagh Gold project. Forward-looking statements are based on estimates and assumptions made by Galantas in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that Galantas believes are appropriate in the circumstances. Many factors could cause Galantas' actual results, the performance or achievements to differ materially from those expressed or implied by the forward looking statements or strategy, including: gold price volatility; discrepancies between actual and estimated production, actual and estimated metallurgical recoveries and throughputs; mining operational risk, geological uncertainties; regulatory restrictions, including environmental regulatory restrictions and liability; risks of sovereign involvement; speculative nature of gold exploration; dilution; competition; loss of or availability of key employees; additional funding requirements; uncertainties regarding planning and other permitting issues; and defective title to mineral claims or property. These factors and others that could affect Galantas's forward-looking statements are discussed in greater detail in the section entitled "Risk Factors" in Galantas' Management Discussion & Analysis of the financial statements of Galantas and elsewhere in documents filed from time to time with the Canadian provincial securities regulators and other regulatory authorities. These factors should be considered carefully, and persons reviewing this press release should not place undue reliance on forward-looking statements. Galantas has no intention and undertakes no obligation to update or revise any forward-looking statements in this press release, except as required by law.

#### [Galantas Gold Corp.](http://www.galantas.com)

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