

# RX Gold & Silver Inc. Quarterly Update

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TORONTO, April 10, 2012 /CNW/ - [RX Gold & Silver Inc.](#) ("RX" or the "Company")(TSX:RXE) (OTCQX:RXEXF) is pleased provide the following update for the three month period ended March 31, 2012. The Company's full quarterly report including consolidated financial statements and management discussion and analysis will be issued on or before May 31, 2012.

## Third Quarter Highlights

- Reported approximately 8,615 ounces of gold equivalent production from its 100% owned Drumlummon Mine in Montana (the "Drumlummon Mine"), consisting of 6,625 ounces of gold and 117,635 ounces of silver production, respectively.
- 24,850 tons were milled at an estimated mill head grade of 0.28 oz./ton of gold and 5.52 oz./ton of silver with mill recoveries for gold and silver of 91% and 85%, respectively.
- Drilling uncovered two new potential areas for evaluation mining in the Frankie vein and the Sampson area of the Drumlummon vein. See "Drumlummon Mine Known Veins" on the RX website for the location of known veins.
- In March 2012 surface drills started testing targets in the 9 Hour Workings area. By mid to late April 2012 drilling is expected to begin in Drumlummon South (formerly known as the "contested ground") from the 400 Level. See "Drumlummon Vein Long Section" on the RX website for drill stations and targets.
- On February 22, 2012 the Company announced an updated mineral resource estimate for the Drumlummon Mine. The related Technical Report was filed on April 9, 2012. See "Technical Report" on the RX website.

"We made excellent progress on the mining ramp-up in our first quarter of expanded evaluation mining at our Drumlummon Mine," commented Darren Blasutti, President and CEO of RX Gold & Silver Inc. "Even though our focus was on a lower tonnage rate to ensure good grades to the mill, our Montana team delivered over 8,500 gold equivalent ounces in the quarter."

"Next quarter will also be very exciting as we'll begin exploring Drumlummon South in a systematic way, which has never been done. We'll be looking for the kind of higher grade ore (over an ounce per ton) that was historically found in the rest of the Drumlummon vein as well as exploring the 9-Hour Workings that had historic veins up to 45 feet thick."

## Operations Update

### Production

The Company continues to evaluate mining and production procedures and techniques at its 100% owned Drumlummon Mine and leased Philipsburg mill. The mine averaged 285 tons/day over the quarter with the majority of production coming from the Charly vein, D Block, and Empire Stopes. At the end of the quarter, development continued on the 700 level Charly vein access ramp, the Pixley vein access ramp and the 400 Level rehabilitation to allow drilling in Drumlummon South. Much of the mineralized material that has supported the Company's evaluation mining operations since May 2011 has been sourced from areas not included in the new resource estimate referenced above. The Company expects the trend to continue for the foreseeable future, with approximately one third of production coming from areas not included in the recent resource estimate.

The ramp-up in January was slower than expected and was the primary contributor to underperformance against tonnage expectations for the quarter. This tonnage underperformance was offset by greater grades and recoveries for both gold and silver, largely attributed to mineralized material from the Charly vein, such that the overall recovered gold equivalent ounces met management's expectations.

## Mill Agreement

During the quarter, the Company finalized an exclusive multi-year lease agreement with the owners for the Philipsburg Mill ending in December 2014, contingent on throughput targets of 92,000 dry tons per annum. The Company was able to negotiate a mutually beneficial outcome with the mill owner which provides a steady income stream for the owner and cost savings for RX while adjusting for a disproportionate benefit to the mill owner over the Company to rising gold prices under the previous contract. The contract includes a flat rate per dry ton processed between gold prices of \$1500-\$1800 with reciprocal gold prices adjustment should the average gold trade price per month trade above or below that range.

### **Operating Permit**

The Company submitted its application for a full operating permit ("Operating Permit") prepared by CDM Smith for the Drumlummon Mine in late December (see January 17, 2012 press release). Under a new law passed by the 2011 Montana Legislature, the Montana Department of Environmental Quality (the "DEQ") had 90 days to review the Application and provide a comprehensive set of comments. The review process has typically been iterative, with several rounds of applicant submissions, reviews, and revisions until the DEQ was satisfied that the appropriate level of consideration and analysis had been provided on issues of concern. Under the new statute, the DEQ's comments on the initial application are intended to define the full range of issues that can be raised in subsequent reviews. This positive change means that a very detailed review must be completed on the front-end of the application process. As expected, the result is the development of an exhaustive list of deficiencies by the DEQ so as to not limit the ability to raise issues during later reviews that may or may not have been immediately apparent.

RX's application was the first major project run through this new regulatory process, the length and breadth of the DEQ comment letter was fully expected, and the Company and the DEQ will continue to work through this new process together. RX expects to meet with the DEQ in order to review their comments and develop a collaborative approach to address substantive issues. Many of the issues raised can be readily addressed and others may require more detailed engineering and technical analysis. However, based on the collective team experience, management believes that none of the issues raised present unexpected challenges to the Drumlummon Mine.

The permitting process will require the preparation of an Environmental Impact Statement ("EIS") under the Montana Environmental Policy Act. Timeframes for preparation of an EIS range from 18 months to several years for completion and approval. It is important to note, that until the EIS is complete and an Operating Permit is received, the Drumlummon Mine is expected to continue to operate under its Small Mine Exclusion Statement. Furthermore, we will pursue the Operating Permit in a cost effective manner for RX shareholders.

### **Exploration Update**

During the 3rd quarter, the Company spent \$1.4 million at the Drumlummon Mine to identify additional resources in areas close to existing infrastructure and on discovering new resource areas which could provide potential longer term mining opportunities. The underground drilling program to explore the Drumlummon South area from underground was delayed by approximately one month as a result of drill availability and underground power issues, slowing the 400 Level rehabilitation work.

The drilling which was completed in the quarter explored areas in the southern part of the Drumlummon vein below previously stoped areas; also the Castletown Vein, the Empire Vein, the Frankie Vein and the area where the Drumlummon extension was thought to exist to the north of the mine.

The program was successful in intersecting gold mineralization in six holes in the Frankie area, one hole in the upper Castletown area and an additional hole in the lower Drumlummon area. The lower Drumlummon intersection complements several intersections obtained in previous drilling in the lower Sampson/No. 1 areas to the south of the Number 2 shaft (See Table 1). The development of a compilation model of previous drilling and the completion of a longitudinal section has indicated that there is potential in the area of the Drumlummon vein below the existing Sampson, Jubilee and Number 2 stopes (see RX website for "Drumlummon Vein Long Section"). Further drilling will be focused in this area once an underground drill is able to be moved to the drill station on the eastern end of the 400 Level. Many assays for the quarter have not been received from the commercial laboratory used by RX due to an approximate four to six week backlog. In order to expedite the assay process the Company is planning to return assayings to its in-house lab in the current quarter.

According to Mr. Jim Atkinson, Vice President, Exploration, "The discovery of gold mineralization in multiple drill holes in the area south of the existing Frankie workings opens a new area for exploration and potential development. This area is very close to the existing decline and could potentially be developed from existing

infrastructure if proven to be economic." (See "Frankie Vein Drill Plan" on the RX website).

Focus for the current quarter drilling will be to immediately commence exploration of the 9-Hour Workings and the Drumlummon South area. The first of the two surface drills has been moved to the 9-Hour Workings and drilling the upper levels of the deposit has begun. It is anticipated that once the snow has melted (it is over 10 feet deep in the upper areas) and access has improved, the second surface drill will begin on Drumlummon South. By mid to late April, drilling from underground is expected to commence from the newly rehabilitated 400 Level in order to begin testing the Drumlummon South area.

A planned airborne survey should be completed in April 2012 and this information will be used to guide on-going exploration in the Marysville area. The airborne survey will include magnetic, electromagnetic, and spectrographic detectors which can be used to locate additional veins and map the geology and alteration in the Drumlummon Mine vicinity. Once the snow has cleared sufficiently to allow field work to commence, the previously identified soil geochemical anomalies (see the Company's press release dated December 15th, 2012) will be followed up with detailed soil sampling lines, mapping, and rock sampling.

**Table 1: Drilling Highlights - Q3 2012**

Drill Hole	From	To	Au oz.	Ag oz.	Width (Ft)		
Frankie Veins							
RXS12-004		442	444		1.592	40.51	2
	450	452	0.632		4.45	2	
	490	498	0.391		1.23	8	
	508	510	0.210		0.27	2	
	524	526	0.148		0.17	2	
	564	566	0.184		2.92	2	
RXS12-007		238	242		0.148	1.10	4
	272	274	0.404		3.44	2	
	322	324	0.112		0.85	2	
	410	416	0.064		0.67	6	
	539	541	0.036		0.16	2	
	568	570	0.916		1.60	2	
RXS12-010		565	568		0.35	1.79	3
RXS12-012		515	517		0.124	0.44	2
	610	612	0.124		1.28	2	
	616	624	0.24		28.42	8	
RXS12-014		322	326		0.48	5.29	4
	586	588	0.11		1.31	2	
	669	671	0.36		0.86	2	
	675	677	0.08		0.54	2	
RXS12-016		232	236		0.361	3.15	4
	240	244	0.582		5.62	4	
Drumlummon							
DDH12-517		442	446		0.06	0.02	4
	450	452	0.334		1.246	2	
	460	466	0.11		0.41	6	
Castletown							
RXS12-017		19	25		0.243	0.17	6

True Widths: Since these drill holes were completed from different drill stations and intersect the veins at various angles the recovered intersections may not reflect true widths.

QA/QC: RX maintains a QA/QC Program for all assays, whether completed at the Drumlummon laboratory or at a contract laboratory including the use of standards, blanks, duplicates. All QA/QC results are evaluated using a program of QA/QC monitoring. Both the contract laboratory and the internal laboratory maintain programs of QA/QC as well.

#### 43-101 Resource Estimate and Technical Report Update

On February 22, 2012, the Company announced an updated mineral resource estimate that was completed and approved by Tetra Tech Wardrop ("Tetra Tech"). Subsequent to the February 22, 2012 press release, assumptions of the spatial continuity of mineralization were reviewed and revised by Tetra Tech.

Consequently, the mineral resource estimate has been revised and is reported in the technical report entitled Technical Report and Resource Estimate on the Au-Ag Drumlummon Mine Project, Montana, USA (the "Technical Report") which was filed on SEDAR by RX on April 9, 2012. A number of drill holes which could be included in each resource category were affected and some drill hole intersections were rejected by the model which reduced the "inferred" resources. That is to say, that due to broader spaced drill hole sampling, the inferred resource category was more sensitive to changes in the grade continuity resulting in inferred gold equivalent ounces being reduced depending on the reported cut-off used. Using the 0.1 ounce per Ton (oz./T) (3.42 gram per tonne (g/t)) gold equivalent cut-off grade cited in the February 22, 2012 press release, an illustrative reconciliation against the mineral resource estimate of gold equivalent ounces supported by the Technical Report is approximately:

- 52,500 gold equivalent ounces comprised of 166,063 Tons (150,650 tonnes) grading 0.316 oz./T (10.83 g/t) versus 52,743 gold equivalent ounces comprised of 175,356 tons (159,080 tonnes) grading 0.30 oz./T (10.28 g/t) as adjusted "Measured and Indicated" category; and

- 50,500 gold equivalent ounces comprised of 170,505 Tons (154,680 tonnes) grading 0.296 oz./T (10.15 g/t) versus 45,307 gold equivalent ounces comprised of 164,371 tons (149,084 tonnes) grading 0.276 oz./T (9.46 g/t) as adjusted in the "Inferred" category.

Please see the Company's website for the full resource estimate table and supporting technical report.

### **Financial Position Update**

As of March 31, 2012, the Company had cash of approximately \$1.4 million, accounts payable of \$1.2 million and the line of credit balance was approximately \$8.4 million; the line of credit remains at that level today. The Company also had gold and silver concentrate with a market value of approximately \$10 million as at March 31, 2012 that is either at smelters or refiners, waiting to be processed or in our warehouse waiting for shipment.

The market value of the test shipments still to be received by the Company was approximately \$5.4 million gross as at March 31, 2012. The Company also had approximately \$4.5 million of concentrate from evaluation mining in its warehouse. Also, as stated in fiscal Q2, 2012 MD&A, the Company entered into a relationship with a global metals trading company in order to more effectively manage its cash collection cycle.

Management continues to anticipate that no additional capital will be required in the short term to continue current operations at the Drumlummon Mine and reminds shareholders of our remaining undrawn line of capital.

### **About RX and the Drumlummon Mine:**

RX is a gold and silver mining company focused on growth in North America. Currently RX is concentrating on continuing test mining and expanding development at its 100% owned Drumlummon Mine. The Drumlummon Mine is a bonanza style low sulphidation epithermal gold and silver deposit with historic production of approximately one million ounces of gold equivalent. The mine has never been fully exploited or explored and material that was once considered waste is now potentially economic. In addition, the Company has discovered a series of entirely new high-grade gold and silver veins that remain open for expansion in three directions.

For further information on the Drumlummon Mine, please refer to the Technical Report, available on the Company's website and at [www.sedar.com](http://www.sedar.com).

Mr. Jim Atkinson, Vice President, Exploration and a Qualified Person under Canadian Securities Administrators guidelines has approved the contents of this news release.

Some of the potential quantities and grades disclosed in this news release are conceptual in nature. At the current stage of exploration, there is insufficient drilling to determine the extent of continuity of the mineralization required to define a mineral resource for all mineralization at the Drumlummon Mine. It is uncertain if further exploration will result in certain exploration targets being delineated as a mineral resource.

### **Quarterly Conference Call**

On April 10th at 4:30 EDT, the company will be hosting a conference call to discuss these results.

To register please go to: <https://cc.callinfo.com/r/1apz2746uttp1>

Dial-in and webcast login information will be provided by email once registration is completed. Please submit questions in advance to [inbox@rxgold.com](mailto:inbox@rxgold.com). A recording of the conference call and presentation materials will be accessible on this website.

**Cautionary Statement Regarding Forward Looking Information:**

*This news release contains "forward-looking information" within the meaning of applicable securities laws. Forward-looking information includes, but is not limited to, the Company's expectations, intentions, plans, and beliefs with respect to, among other things, the Drumlummon Mine. Often, but not always, forward-looking information can be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may", and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions, or statements about future events or performance. Forward-looking information is based on the opinions and estimates of the Company as of the date such information is provided 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 the Company to be materially different from those expressed or implied by such forward looking information. This includes the ability to develop and operate the Drumlummon property, risks associated with the mining industry such as economic factors (including future commodity prices, currency fluctuations and energy prices), failure of plant, equipment, processes and transportation services to operate as anticipated, environmental risks, government regulation, actual results of current exploration activities, possible variations in ore grade or recovery rates, permitting timelines, capital expenditures, reclamation activities, social and political developments and other risks of the mining industry. Although RX 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. Readers are cautioned not to place undue reliance on such information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, and projections of various future events will not occur. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.*

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