

U.S. Silver & Gold Reports Fourth Quarter and Year-End 2012 Financial Results

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TORONTO, March 28, 2013 /CNW/ - [U.S. Silver & Gold Inc.](#) (TSX: USA) (OTCQX: USGIF) ("U.S. Silver & Gold" or the "Company") today reported year-end financial and operational results for 2012.

This earnings release should be read in conjunction with the Company's MD&A, Financial Statements and Notes to Financial Statements for the corresponding period, which have been posted on SEDAR at www.sedar.com and are also available on the Company's website at www.us-silver.com.

All figures are in U.S. dollars unless otherwise noted.

Financial Highlights

For the fourth quarter of 2012, the Company reported the following results from continuing operations:

- Revenues of \$25.5 million
- Adjusted net income of \$0.3 million or \$0.01 per share prior to a \$14.4 million non-cash impairment charge related to the Drumlummon Mine and one-time, merger-related expenses
- Net loss of \$16.6 million or \$0.27 per share
- Strong production of 661,000 silver ounces at cash costs of \$17.65 per silver ounce
- Cash balance of \$18.9 million at December 31, 2012

For the full year 2012, the Company reported the following results from continuing operations:

- Revenues of \$94.9 million
- Adjusted net income of \$4.7 million or \$0.08 per share prior to a \$14.4 million non-cash impairment charge related to the Drumlummon Mine and one-time, merger-related expenses
- Net loss of \$17.8 million, or \$0.29 per share
- Production of 2.57 million silver ounces at cash costs of \$18.33 per ounce with the Drumlummon Mine consolidated for the full fiscal year 2012

Earnings for the quarter and full year were impacted by non-cash impairment charges related to the Drumlummon mine. These non-cash charges were identified as part of the Company's normal course value impairment testing and were due to a number of factors, including a capital allocation decision to focus exploration spending in 2013 on the Caladay Zone at the Galena Complex, a year-over-year reduction in measured, indicated and inferred resources, an industry-wide reduction in precious metal valuations and increases in operating costs.

"The Caladay Zone has the potential to double the Company's silver production and significantly reduce operating costs without the need to issue equity to fund its development at current silver prices," commented Darren Blasutti, President and CEO of U.S. Silver and Gold. "The close proximity of the Caladay Zone to our existing infrastructure, coupled with spare hoisting and milling capacity should position us for strong production growth and operating cost leverage, thereby enhancing future profitability."

Corporate Highlights

- In 2012, the Company replaced proven and probable reserves of 23.2 million ounces and reported measured and indicated resources of 13.0 million ounces (an increase of 8 percent) and inferred resources of 14.4 million ounces as at December 31, 2012 and an additional 4.0 million ounces of inferred resources as at March 19, 2013 (versus 13.1 million ounces as at December 31, 2011). Please see SEDAR or www.us-silver.com for the Company's independent NI 43-101 compliant technical report in respect of the Galena Complex dated March 22, 2013 (the "Galena Technical Report") prepared by Chlumsky, Armbrust & Meyer, LLC ("CAM").

- Drilling continues to identify significant mineralization in the Caladay Zone since the January 30, 2013 press release including 20 feet of 15.9 ounce per ton (544 grams per tonne) silver equivalent, 23.9 feet of 12.3 ounces per ton (422 grams per tonne) silver equivalent and 1.9 feet of 100.4 ounces per ton (3,443 grams per tonne) silver equivalent. For additional results, see Tables 1 and 2 below.
- Silver production in 2013 is forecast to grow approximately 10 - 15 percent to 2.7 - 3.0 million ounces with projected silver cash costs of \$17.00 to \$19.00 per ounce.

Consolidated Mine Production and Operating Costs

As previously announced in the press release of January 30, 2013, the Company had strong fourth quarter consolidated silver production totalling 661,337 ounces along with gold production of 3,832 ounces. Consolidated silver cash costs decreased from \$18.72 in the third quarter of 2012 to \$17.65 per ounce in the fourth quarter.

In 2012, the Company produced 2.31 million ounces of silver and 5,691 ounces of gold at a by-product cash cost of \$18.33 per ounce silver, compared to 2.32 million ounces of silver and cash costs of \$15.82 per ounce in 2011. Had RX Gold been consolidated with U.S. Silver & Gold for the entire fiscal year, annual silver production would have been 2.57 million ounces, representing an increase of 11 percent over 2011. Consolidated annual gold production would have been 20,432 ounces.

The Company recorded a net loss of \$17.8 million for the year ended December 31, 2012 compared to net income of \$12.4 million for the year ended 2011. The decrease in earnings was primarily attributable to impairment charges at the Drumlummon Mine, higher depreciation, depletion and amortization, lower realized silver prices as well as higher cost of sales, higher general and administration expenses, higher exploration costs, higher stock-based compensation expense and lower income tax expense for 2012 compared to 2011.

Galena Complex

During 2012, 231,496 tons of ore were mined at the Galena Complex at an average grade of 10.1 ounces per ton silver, which produced 2.25 million ounces of silver at a cash cost of \$19.02 per ounce. This compares to 236,903 tons of ore mined in 2011 at an average grade of 10.2 ounces per ton silver, which produced 2.32 million ounces of silver at a cash cost of \$15.82. Combined silver recoveries from the Galena and Coeur mills were 96.3 percent for 2012 compared with recoveries of 96.4 percent in 2011.

Tonnage was negatively impacted by the termination of high cost contract mining crews and re-habilitation work on the #3 Shaft in early 2012. In August 2012, this situation improved with the addition of 60 full-time employees enabling the Galena Complex to move from the current five-day-a-week schedule to a 24/7 schedule on January 27, 2013. The new management team is committed to increasing profitable production and ensuring a cash flow positive operation in fiscal 2013 and beyond. Fourth quarter labour costs were affected by increased hiring and new-employee training expenditures as the operation adjusted its staffing levels in preparation for a seven-day-a-week schedule. The increase in productivity noted in the fourth quarter is expected to continue to positively impact ounce production and cash costs over 2013 and the longer term.

Drumlummon Mine

From August 13, 2012 to December 31, 2012, Drumlummon milled 25,741 tons of ore at a grade of 0.23 ounces per ton gold and 2.70 ounces per ton silver to produce 5,691 ounces of gold and 59,184 ounces of silver at a by-product cash cost of \$1,426.53 per ounce gold during this period.

Operations at the Drumlummon Mine were lower than expected during the fourth quarter of 2012 in both tons and grade as decisions were made to reassign mining personnel to enable development of diamond drilling stations for exploration on the Northstar and Frankie veins. This resulted in operations accessing smaller high-grade veins areas thereby decreasing production tonnage during the quarter. Ongoing ventilation challenges and weather-related air reversal inside the mine prevented miners from reaching active headings. A fan and air-door installation was excavated and installed in the Gunsinger Decline which along with other ventilation re-routing in the mine has alleviated the issues.

At the end of 2012, given the state of the capital markets in the precious metals industry, the Company decided to focus its capital resources on the drilling and development in the Caladay Zone at the Galena Complex. The Caladay Zone requires confirmation drilling, is close to existing infrastructure with both spare hoisting and spare milling capacity, requires no ore transportation for milling and no additional permitting. The exploration budget for the Drumlummon mine was reduced to \$1 million for 2013 compared with \$5.9 million in 2012 for the full calendar year. As a result, an impairment charge of \$14.4 million to the carrying value of the Drumlummon Mine and related goodwill has been taken. The Drumlummon Mine will continue operating for as long as it can generate positive cash flow.

Exploration Update

As previously announced in the Company's January 30, 2013 press release, recent drilling in the Caladay Zone of the Galena Mine Complex along with modelling of past results led to the expansion of existing silver-lead areas and the discovery of a large, high-grade silver-copper target located close to the existing mine infrastructure. Work in this area is progressing well. Selected results since the January 30, 2013 press release for silver lead and silver copper mineralization are found below in Tables 1 and 2, respectively.

Hole #	From (ft)	To (ft)	Width (ft)	Ag (oz/ton)	Pb (%)	AgEq (oz/t)	AgEq (g/t)
40-320	282.4	306.7	24.3	4.71	5.22	5.22	179
40-326	175.0	225.0	50.0	7.17	AP ¹	7.17	246
49-219	146.5	170.4	23.9	7.53	9.49	12.27	421
49-220	148.9	245.0	96.1	3.41	4.84	5.83	200
49-221	129.5	173.4	43.9	4.48	5.75	7.35	252
49-222	141.0	174.5	33.5	6.19	6.28	9.33	320
49-227	145.0	260.0	115.0	5.36	7.17	8.95	307
49-232	193.0	239.0	46.0	5.44	AP ¹	5.44	187
49-236	222.0	373.0	151.0	2.50	3.76	4.38	150
49-238	175.0	195.0	20.0	11.03	9.67	15.86	544
49-238	226.8	330.0	103.2	3.49	3.73	5.35	183

¹ Assay Pending.

Hole #	From (ft)	To (ft)	Width (ft)	Ag (oz/ton)	Ag (g/t)	Cu (%)
49-220	74.8	99.0	24.2	11.21	384	0.15
49-222	71.0	78.3	7.3	8.33	286	0.11
49-259T	25.6	30.0	4.4	14.71	504	0.25
49-260T	25.6	30.0	4.4	11.39	391	0.19
49-260T	148.1	150.0	1.9	99.06	3394	1.00

Note: 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. Please refer to www.us-silver.com for all drilling results.

Based on the existing block model and analysis done in connection with the current Galena Technical Report, the additional exploration potential for the Caladay Zone can be expressed as 10 to 30 million tons, grading 5 to 6 ounces per ton silver, for a potential of 50 to 180 million ounces of silver. No economic or

recovery considerations were included in this estimate. CAM agrees that the exploration potential estimate by U.S. Silver & Gold is a reasonable assessment of the ultimate exploration potential of that area. However, the potential quantity and grade is conceptual in nature. There has been insufficient exploration to define a mineral resource on the Caladay Zone and it is uncertain if further exploration will result in this target being delineated as a mineral resource.

Consultants have been engaged to advise on geotechnical aspects of the Caladay Zone and develop a mine plan which integrates the significant resource into the existing Galena Complex mine plan. Test mining advanced on a block of silver-lead ore at the 4000 level which has allowed a relatively large (25'x80') area to be opened up thereby adding to the growing understanding of the Caladay Zone's geological and geotechnical characteristics. Test mining continues in support of the evaluation of possible extraction methods. Development is underway on the 4900 level to gain access to a prospective block of high grade silver-copper mineralization. The intent is to refine the geological interpretation and provide a platform for possible production mining later in the year. Both of these areas are outside of the mine's 2013 production schedule and would represent new mining fronts incremental to the current plan.

Management believes the Caladay Zone will not only provide high grade feed to fill the existing infrastructure but will also prove to be amendable to bulk mining methods enabling significant per ton cost reductions in an expansion scenario. A new team focused on the Caladay Zone, separate from operations, has been created. The Company will provide a Preliminary Economic Assessment for the Caladay Zone in the first half of 2013.

"Because over 1100 of the holes in the Caladay Zone are historic holes, we plan to spend several months drilling holes to validate these old results," stated Jim Atkinson, Vice President Exploration, U.S. Silver and Gold. "In early March alone, we drilled three confirmatory holes and have already confirmed over 4 million inferred silver ounces."

Reserves and Resources

The Company replaced reserves of 23.1 million ounces in 2012. In addition, measured and indicated resources were increased by 8 percent to 13.0 million ounces silver. Inferred resources of 14.4 million ounces were reported as of December 31, 2012 followed by an additional 4.0 million added as of March 19, 2013.

	Tons	Ag (oz)	Ag (oz/t)	Cu (t)	Cu %	Pb (t)	Pb (%)
Reserves (Proven & Probable) December 31, 2012	2,091,279	23,176,206	11.08	5,450	0.41	50,368	6.60
Resources (Measured and Indicated) December 31, 2012	1,318,874	13,043,743	9.89	3,919	0.67	38,532	5.23
Resources (Inferred)¹ December 31, 2012	1,338,052	14,392,293	10.76	3,147	0.69	71,148	8.09
Resources (Inferred)¹ March 19, 2013	822,711	4,050,540	4.92	0	0.00	27,711	3.37

¹The table shows inferred resources with effective dates of December 31, 2012 and March 19, 2013. These figures represent distinct resource blocks. It was necessary to separate the two resources because data from three holes drilled in March 2013 was incorporated in the latter estimate. In this instance, regulations prohibit resources with different effective dates from being combined.

The Company is committed to following best practices for ore reconciliation and reserve estimation. For this reason, an ore reconciliation was completed for 2012 production for the first time in more than five years. As a result, a reduction in the December 31, 2012 reserve grades for silver, copper and lead was deemed appropriate after consideration of actual mine performance against the reserve model. Previously, parameters used in the reserve estimation process were drawn from historic practices preceding the Company's involvement at the Galena Complex. Findings indicated that, while the amount of contained metal was matching well, the grade of ore mined was below expectations. This discrepancy between reserve grade and mined grade has existed for several years (see Chart 1). Reasons for this difference

include; average vein width, ability to mine to design stope width and changes in vein continuity (i.e. pinch/swell, faulted offsets). It was decided that the best way to incorporate this updated view was to increase the amount of waste dilution. The changes made to the reserve estimate do not alter the near-to-medium term plans for the operation in terms of production or operating costs and have already been incorporated in the 2013 outlook and beyond.

Quality Assurance / Quality Control ("QA/QC")

U.S. Silver & Gold 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 Drumlummon laboratory maintain programs of QA/QC as well. Assays for the Caladay Zone were prepared by a commercial laboratory.

Calculation of Silver and Gold Cash Cost

The Company has changed its presentation of revenues and cash costs to report under a payable ounces basis to conform to the presentation used by other comparable entities within the silver mining industry. Previous disclosures have been restated to conform to the amended presentation. The Company reports the cash cost per ounce of silver produced, a non-GAAP measure, in accordance with measures widely reported in the silver mining industry as a benchmark for performance measurement. These measures do not have any standardized meaning and may differ from methods used by other companies with similar descriptions. The method does not include depletion, depreciation, exploration or corporate administrative costs and is therefore not directly reconcilable to costs as reported under International Financial Reporting Standards.

About U.S. Silver & Gold Inc.

U.S. Silver & Gold Inc. is a newly formed silver and gold mining company focused on growth from its existing asset base and the execution of targeted accretive acquisitions. U.S. Silver & Gold owns and operates the Galena Mine Complex in the heart of the Silver Valley/Coeur d'Alene Mining District, Shoshone County, Idaho and the Drumlummon Mine Complex in Lewis and Clark County, Montana. Within the Galena Mine Complex, the Galena Mine produces high-grade silver and is the second most prolific silver mine in U.S. history, delivering over 200 million ounces to date, the Coeur Mine is under re-development with first production having been achieved in late 2012 and the Caladay Zone is being evaluated for bulk mining development. The Drumlummon Mine currently produces high-grade gold and silver with historical production of 1 million ounces of gold and 12 million ounces of silver and has never been fully exploited or explored. Visit www.us-silver.com.

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

For further information please see SEDAR or www.us-silver.com for the NI 43-101 compliant Technical Report on the Galena Project dated March 22, 2013.

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 Galena Complex and 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 Galena and Drumlummon properties, 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 U.S. Silver and Gold 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 those 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.

Image with caption: "Chart 1 - Actual Grade Mined vs. NI 43-101 Reserve Grade (CNW Group/U.S. Silver & Gold Inc.)". Image available at:
http://photos.newswire.ca/images/download/20130328_C9307_PHOTO_EN_24922.jpg

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