

U.S. Silver & Gold reports second quarter financial and operational results

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TORONTO, Aug. 13, 2013 /CNW/ - U.S. Silver & Gold Inc. (TSX: USA, OTCQX: USGIF) ("U.S. Silver & Gold" or the "Company") today reported financial and operational results for the second quarter ending June 30, 2013.

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.

Highlights

- Implemented previously announced Small Mine Plan ("SMP") in July to lower cash and overall costs at the Galena Complex and increase the grade mined in order to be profitable at current silver prices.
- Replaced extension on existing \$7.9 million debt with new, three-year CDN \$8.5 million facility provided at a comparable rate with Royal Capital Management as security agent, and without the requirement to pay net smelter return royalty.
- Strong consolidated silver production of 651,125 ounces for the quarter (a 23% increase over Q2, 2012) at a cash cost of \$16.67 per ounce (a 6% decrease over Q2, 2012). Gold production of 1,795 ounces (reflects only April and May as Drumlummon mine operations were suspended on May 31, 2013). Consolidated year-to-date production of 1.25 million silver ounces (a 16% increase over 2012) and 3,956 ounces of gold.
- Galena Mine Complex production of 629,227 silver ounces (a 19% increase over Q2, 2012) at a cash cost of \$16.41 per ounce, which represents a 20% reduction over the previous quarter and an 8% reduction over Q2, 2012.
- Underground drilling in the silver/copper areas adjacent to the Caladay Zone has the potential to expand resources on the 4900 Level where exploration drifting on the 348 Vein returned a strike length over 102 feet at average widths of 11 feet and average grading of 19.3 ounces per ton silver equivalent (662 grams per tonne).
- Consolidated revenues of \$16.9 million and net loss of (\$8.3) million or (\$0.14) per share for the quarter, and revenues of \$39.8 million and net loss of (\$11.7) million or (\$0.20) per share year-to-date. The net loss is primarily attributable to lower realized metal prices, negative provisional pricing adjustments, and cost and impairments associated with the shutdown at the Drumlummon Mine.
- Galena Complex revenues of \$13.5 million and net loss of (\$2.3) million for the quarter, and revenues of \$31.1 million and net loss of (\$0.2) million year-to-date.
- As of July 2, 2013, the Company's cash and cash equivalents totaled \$7.4 million.

"We set out to deliver strong production, increased grade and reduced costs during the second quarter of 2013," said Darren Blasutti, President and CEO of U.S. Silver and Gold. "While we were successful on all fronts, the current silver price environment also required us to keep a close eye on our balance sheet and be ready to take quick and decisive action should the price of silver continue to decline. As a result we were prepared and able to rapidly introduce a Small Mine Plan when market conditions worsened. The plan will allow us to mine profitably at current silver prices, and positions the Galena Complex well for an increase in the price of silver."

Consolidated Production and Operating Costs

As reported on July 16, 2013, the Company delivered second quarter consolidated silver production totalling 651,125 ounces (a 9% increase over the previous quarter and a 23% increase over Q2, 2012), along with gold production of 1,795 ounces. Consolidated silver cash costs decreased to \$16.67 per ounce from \$22.20 during Q1, 2013 primarily due to increases in tonnage, production and average grade at the Galena Complex. Realized silver prices have declined 23% to \$23.26 per ounce since Q2, 2012.

A net loss of (\$8.3) million was recorded for the quarter, compared with a net loss of (\$2.3) million in the second quarter of 2012. The increased loss was primarily due to lower realized metal prices and higher cost of sales (due to underperformance at the Drumlummon Mine and negative provisional pricing adjustments), higher depreciation, depletion, amortization and finance costs in addition to care and maintenance costs and impairment charges incurred at the Drumlummon Mine. These increases were partially offset by higher year-over-year production and lower general and administration expenses, exploration costs and income tax expense.

Galena Complex

The Galena Mine Complex produced 629,227 ounces of silver during the second quarter and 1.2 million ounces year-to-date, representing year-over-year increases of 19% and 12% respectively. Overall tonnage was up 10% for the quarter and 6% year-to-date, while average grade rose 8% to 11.14 ounces per ton silver for the quarter and 5% to 10.32 ounces per ton year-to-date.

Quarter over quarter, cash costs decreased 20%, to \$16.41 due to increases in tonnage, production and average grade. In April 2013, as a result of the Company's cost control focus and portfolio review, \$12-14 million in exploration, capital projects and capital development costs were cut from the 2013 Galena Complex budget. Please see Table 1 below for Galena Complex production and cost details.

	Q2 2013	Q2 2012	YTD 2013	YTD 2012
Total Ore Processed (tons milled)	58,585	53,438	121,411	114,511
Silver - Copper	43,375	37,659	88,262	80,005
Silver - Lead	15,210	15,779	33,149	34,506
Silver produced (ounces)	629,227	527,899	1,206,322	1,079,127
Lead produced (pounds)	2,636,089	846,950	4,408,345	2,431,093
Copper produced (pounds)	268,392	237,827	530,010	470,305
Silver recoveries (percent)	96.4	96.2	96.3	96.1
Lead recoveries (percent)	94.4	89.2	93.7	91.0
Copper recoveries (percent)	96.3	96.3	96.1	96.2
Silver head grade (ounces per ton)	11.14	10.27	10.32	9.80
Silver - Copper	11.83	12.10	11.32	11.65
Silver - Lead	9.20	5.89	7.65	5.52
Lead head grade (percent)	9.19	3.00	7.10	3.87
Copper head grade (percent)	0.32	0.33	0.31	0.31
Silver sold (ounces)	661,056	527,899	1,206,322	1,079,127
Lead sold (pounds)	2,636,089	846,950	4,408,345	2,431,093
Copper sold (pounds)	268,392	237,827	530,010	470,305
Realized silver price (\$ per ounce)	\$23.26	\$28.05	\$26.56	\$30.73
Realized lead price (\$ per pound)	\$0.94	\$0.88	\$0.98	\$0.92
Realized copper price (\$ per pound)	\$3.27	\$3.57	\$3.46	\$3.84
Silver cash costs (\$ per ounce) ¹	\$16.41	\$17.81	\$18.36	\$18.61

¹The Company reports the cash cost per ounce of silver produced, a non-IFRS measure, in accordance with measures widely reported in the silver mining industry as a benchmark for performance measurement. Management uses these measures internally to better assess performance trends and understands that a number of investors, and others who follow the Company's performance, also assess performance in this manner.

These measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. 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.

Small Mine Plan Update

In December 2012, the Board approved an operating budget for the Galena Complex based on a silver price of \$30 per ounce. In the months that followed the price of silver fell to a low of \$18.61 before recovering to current levels. Early in the year management began work on a downside pricing case; a Small Mine Plan ("SMP") based on a silver price of \$20 per ounce, which the Company was able to quickly implement in response to the continued decrease in the price of silver.

The plan focuses on increasing grade while reducing fixed and variable costs. Implemented in July, it triggered the following actions: 1) the number of operating stopes was cut to approximately 15; 2) staffing at the Galena Mine will be reduced from 351 to 225 after a two month notice period per the Worker Adjustment and Retraining Notification "WARN" Act; and 3) the Coeur Shaft and Coeur Mill will be put on care and maintenance along with Levels 2800, 3000, 3200, 4300 and 5500. Further capital development and exploration reductions are also being made. In addition, effective August 1, 2013, the CEO and Board of Directors will take a voluntary 20% reduction in cash remuneration and all members of the executive management team have agreed to a 10% reduction.

The SMP will allow the Galena Complex to operate profitably in the current silver price environment and position it to benefit from an increase in the price of silver. July silver production exceeded our SMP estimates and cash costs were lower than expected due to the increased production. The August monthly budget is currently on track.

Drumlummon Mine

The Drumlummon Mine produced 1,795 ounces of gold and 21,898 ounces of silver during the second quarter of the year at a by-product cash cost of \$1,660.80 per ounce gold.

As previously announced, given current gold prices and recent mine performance, the mine was put on care and maintenance effective May 31, 2013. All ongoing costs until the end of the year are expected to be less than \$500,000. The Company recorded a further impairment charge of \$1.4 million during the period ended June 30, 2013 as a result of declining comparable market valuation.

Exploration Update

Underground drilling at the Galena Complex continued during the second quarter, and has the potential to further expand the resources on the 4900 Level and defining areas in known and new veins. Exploration drifting on the 348 silver/copper vein returned a strike length of 102 feet at average widths of 11 feet and average grading of 19.3 ounces per ton (662 grams per tonne) silver equivalent including 0.38% copper. The potential of adding this high grade area to the SMP is being evaluated. As well, hole 49-332 intersected 20.9 feet of 14.7 ounces per ton (503 grams per tonne) silver equivalent. Please refer to www.us-silver.com for all drilling results.

While drilling in the silver/copper areas adjacent to the Caladay Zone, including the Silver Halo will continue, going forward the Company will focus on implementing the SMP and increasing the grade mined to be profitable at current silver prices. The resulting decrease in personnel has created a backlog of core from the Caladay Zone which current mine staff are working to record. They have also begun incorporating information from the drilling program completed since December 2012 into a new resource calculation for release at year-end

Financial Position

U.S. Silver & Gold's cash and cash equivalents at June 30, 2013 totaled \$3.6 million compared to \$18.9 million at December 31, 2012, while net working capital totaled \$1.9 million and \$16.0 million for the same dates, respectively. Net working capital at June 30, 2013 included the Hale Capital Partners ("HCP") debt as a short term liability. The debt was re-classified to long-term debt on August 8, 2013. As of July 2, 2013, the Company's cash and cash equivalents totaled \$7.4 million. The difference was due to a wire transfer error from one of the Company's smelter contracts totaling \$3.8 million which was not received prior to the end of the second quarter. The decrease in net working capital primarily reflects net cash inflows from operations less drilling, underground development, and exploration costs, purchase of property, plant and equipment, rehabilitation and access development activity, and other changes in non-cash working capital.

The Company has replaced the previously announced extension on its existing US \$7.9 million senior secured credit facility with a three-year credit agreement for CDN \$8.5 million with Royal Capital Management as security agent. Unlike the previously announced term sheet with HCP, this new credit agreement does not require the Company to pay a net smelter return royalty. For further details, please see

the Company's press release dated August, 8, 2013 and the Material Change Report to be filed on SEDAR.

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. It owns and operates the Galena Mine Complex in the heart of the Silver Valley/Coeur d'Alene Mining District, Shoshone County, Idaho. It produces high-grade silver and is the second most prolific silver mine in U.S. history, delivering over 200 million ounces to date. The Caladay Zone is being evaluated for bulk mining development. U.S. Silver & Gold Inc. also owns the Drumlummon Mine Complex in Lewis and Clark County, Montana.

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 at which 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, 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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