

# U.S. Silver & Gold reports third quarter financial results

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TORONTO, Nov. 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 third quarter ending September 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](http://www.sedar.com) and are also available on the Company's website at [www.us-silver.com](http://www.us-silver.com).

## Third Quarter Highlights

*(All figures in U.S. dollars unless otherwise noted)*

- Excluding severance costs related to implementation of the Small Mine Plan ("SMP"), the Galena Mine Complex achieved an operating profit of \$0.7 million for the quarter. The Company reported a net loss for the quarter of (\$3.5) million or (\$0.06) per share, compared with a net loss of (\$1.8) million or (\$0.03) per share for the third quarter of 2012.
- The SMP implemented early in the third quarter to reduce costs and focus on increasing mine cut-off grade is delivering positive results:
  - Cash costs for the quarter were down 13% year-over-year to \$17.67 per year-to-date to \$18.16.
  - Average head grade rose 6% versus Q2 2013 to 11.84 ounces per ton silver from production areas and 4,387 tons muck grading 1.75 ounces per ton silver).
  - October 2013 silver production was approximately 175,000 ounces at an average grade of 11.84 ounces per ton.
- Galena Complex production for the quarter was 464,850 ounces (or 529,860 silver equivalent ounces) and 1.67 million ounces for the first nine months of 2013. This represents a 3% increase year-to-date and a decrease of 15% year-over-year for

the quarter. Consolidated production year-to-date rose 4% to 1.7 million ounces.

- Silver guidance for 2013 remains on track at 2.1 - 2.2 million ounces with production at the Galena Mine Complex during the second half of the year on track to deliver 850,000 - 1,000,000 ounces at a cash

cost of \$15.50 - \$17.50 per ounce.

- The Company entered into an agreement with Royal Capital Management Corporation for CDN \$8.5 million to replace the previous debt of \$7.9 million with Hale Capital Partners (please see press release dated August 8, 2013) and completed a

private placement for total proceeds of CDN \$5.78 million (please see press release dated August 22, 2013).

<sup>1</sup> Silver equivalent calculation is based on prices of \$22 per ounce silver, \$0.90 per pound lead and \$3.25 per pound copper.

"In 2013 we committed to making operational and production improvements to reduce costs and allow mining of higher grade ore. Despite a much lower silver price environment than expected at the beginning of the year, we have advanced these goals," said Darren Blasutti, President and CEO of U.S. Silver & Gold. "We achieved profitable operations at the Galena Mine Complex during the third quarter through disciplined containment and a major reduction in our workforce and expect Q4 to be our lowest cost quarter of the year. We are mining higher grades at lower tonnage levels and remain on track to deliver on our guidance of 20 million ounces of silver for the year. During the quarter we also took several prudent steps to protect our balance sheet and increased working capital by almost \$10 million."

**Consolidated Production and Operating Costs**

Table 1 Consolidated Production and Operating Costs				
	Q3 2013	Q3 2012	YTD 2013	YTD 2012
Revenue (millions)	\$ 13.9	\$ 33.4	\$ 53.6	\$ 69.4
Silver Produced (ounces)	464,850	567,555	1,714,114	1,646,682
Gold Produced (ounces)	-	2,223	3,956	2,223
Lead Produced (pounds)	705,665	1,429,449	5,114,010	3,860,542
Copper Produced (pounds)	244,653	259,445	774,663	729,750
Cash Cost / Silver Ounce <sup>2</sup>	\$ 17.67	\$ 18.72	\$ 18.87	\$ 18.64
Net Loss (millions)	\$ (3.5)	\$ (1.8)	\$ (15.2)	\$ (1.2)
Loss Per Share (basic and diluted)	\$ (0.06)	\$ (0.03)	\$ (0.25)	\$ (0.02)

As reported on October 22, 2013, the Company produced 464,850 ounces of silver during the third quarter of 2013 at a grade of 11.84<sup>3</sup> ounces per ton and a by-product cash cost of \$17.67 per ounce silver. Production decreased by 18%; however, this was expected following a 30% reduction in staffing which was implemented as part of the SMP to reduce costs and increase grade to be profitable at current silver prices, and the closure of the Drumlummon Mine. The decrease was partially offset by an 18% increase in average silver grade mined for the quarter at the Galena Mine Complex.

While cash costs increased slightly over the previous quarter due to the workforce reduction, associated share payments and short-term productivity losses, they remain significantly below cash costs during the third quarter and the first nine months of 2012. Consolidated cash costs for the first nine months of the year were higher largely due to the underperformance of the Drumlummon Mine during the first half of 2013, leading to its closure.

<sup>2</sup> During 2012, the Company changed its presentation of cash costs to report under a payable ounces basis to conform to presentation used by other comparable entities within the silver mining industry. Previous disclosures have been restated to conform with the amended presentation.

<sup>3</sup> Comprises 36,359 tons of production ore grading 13.06 ounces per ton silver and 4,387 tons of development material grading 1.75 ounces per ton silver.

A consolidated net loss of (\$3.5) million was recorded for the quarter compared with a net loss of (\$1.8) million for the three months ended September 30, 2012. The increased loss is a result of lower silver prices and \$1.7 million in severance paid on implementation of the SMP. A net loss of (\$15.2) million was recorded for the nine months ended September 30, 2013 compared with a net loss of (\$1.2) million for the first nine months of 2012. The increased loss for the year is primarily attributable to lower realized metal prices and an impairment charge related to the Drumlummon Mine as well as lower sales from production, higher cost of sales, higher depreciation, depletion, amortization, finance and care and maintenance costs.

### Galena Complex Production and Operating Costs

	Q3 2013	Q3 2012	YTD 2013	YTD 2012
Tons Milled	40,746	56,488	162,157	170,899
Average Silver Head Grade (ounces per ton) <sup>4</sup>	11.84	10.03	10.71	9.91
Silver Recovery (percent)	96.4	96.1	96.3	95.9
Silver Produced (ounces)	464,850	544,104	1,671,172	1,623,231
Silver Sold (ounces)	505,613	602,401	1,735,070	1,703,761
Realized Silver Price (per ounce)	\$ 21.40	\$ 27.68	\$ 25.06	\$ 29.63
Cash costs (per ounce)	\$ 17.67	\$ 20.29	\$ 18.16	\$ 19.17

The Galena Complex mined 162,157 tons of ore year-to-date to produce 1.7 million ounces of silver versus 170,899 tons of ore milled during the first nine months of 2012 to produce 1.6 million ounces of silver. Cash costs fell 5% to \$18.16 per ounce. Excluding costs of \$1.7 million in severance related to the workforce reduction as a result of the SMP implementation, an operating profit of \$0.7 million was achieved for the quarter.

### Corporate Update

Management continues to look for opportunities to further reduce costs and increase profitable production. This includes evaluating cooperative arrangements within the Silver Valley whereby others may be able to utilize the Company's unused processing capacity or mine infrastructure. In addition, the Company has entered into an agreement to sell selected non-core mining claims to a third party for gross proceeds of approximately \$2.85 million on November 12, 2013. The closing is subject to customary conditions and is expected to occur within the week.

<sup>4</sup> Comprises 36,359 tons of production ore grading 13.06 ounces per ton silver and 4,387 tons of development material grading 1.75 ounces per ton silver.

### Exploration Update

Given current metal prices and economic conditions, the Galena Mine Complex exploration budget was reduced to \$0.7 million for the second half of 2013 and drilling was transitioned from third party to in-house resources. Exploration work is focused on the following:

- Further expanding the Caladay Zone close to areas of existing infrastructure;
- Block modelling and evaluation of drill results from the first half of the year; and
- Developing immediate and near term minable high-grade silver resources in proximity to existing infrastructure to support the SMP.

## **Caladay Zone**

Production from silver/copper areas adjacent to the Caladay Zone commenced as scheduled in the third quarter of 2013. Although installation and commissioning of additional cooling capacity temporarily impacted mining activities early in September production resumed in late October. Consistent production rates are expected to be achieved before year-end and the Company continues to target a production rate of 100 tons per day.

The Company drilled 58,511 feet underground at the Galena Complex to the end of the third quarter of 2013. The exploration and expansion of the Caladay Zone in the areas of known mineralization defined between the 4900 and 5200 levels continued with over 3,700 feet completed in the third quarter. Over 23,550 feet of drilling has been completed in this area so far this year.

While drilling in the Caladay Zone continues, going forward the Company will focus on implementing the SMP and increasing the grade mined to be profitable at current silver prices. However, the resulting decrease in personnel has created a backlog of core which current mine staff are continuing to log. Results from the drilling program completed since December 2012 is being incorporated into an updated resource estimate.

## **2013 Outlook**

U.S. Silver & Gold affirms its 2013 anticipated production of 2.1 - 2.2 million ounces of silver at a cash cost of \$15.50 - \$17.50 per ounce. Management expects the fourth quarter to be the lowest cost quarter of the year. This outlook is based on a number of assumptions that the Company believes are reasonable at the time of this earnings release.

## **Conference Call at 4:30 pm on Wednesday, November 13, 2013**

Financial and operating results will be discussed during an analyst and investor conference call with senior management today, November 13th at 4:30 pm ET. A question and answer session will follow management's presentation.

Dial-In Numbers:  
647-427-7450 (Toronto)  
1-888-231-8191 (Toll-free)

A live audio webcast of the conference call will be available at [www.us-silver.com](http://www.us-silver.com) and [www.newswire.ca](http://www.newswire.ca).

A replay of the call will be available until November 20, 2013 by calling 416-849-0833 or 1-855-859-2056, reference number 98597026.

## **About U.S Silver & Gold**

[U.S. Silver & Gold](#) is a silver and gold mining company focused on growth from its existing asset base and 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 which produces high-grade silver ore 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 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 applicable 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 Galena Mine Complex and Drumlummon Mine. It is uncertain if further exploration will result in certain exploration targets being delineated as a mineral resource.

For further information please see SEDAR or [www.us-silver.com](http://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.*

## Contact

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