

Xtierra Reports Second Quarter Results

31.07.2014 | [Marketwired](#)

Clarifies Disclosure Regarding Bilbao Project

TORONTO, ONTARIO--(Marketwired - Jul 31, 2014) - [Xtierra Inc. \(TSX VENTURE:XAG\)](#) ("**Xtierra**" or the "**Company**") announces that it has now published and filed its unaudited interim financial report for the three and six month periods ended June 30, 2014 together with its Management's Discussion and Analysis for the same period. These documents are available on the Company's website at www.xtierra.ca and on SEDAR under the Company's profile at www.sedar.com.

For the six month period ended June 30, 2014, the Company recorded a loss of \$108,000 (\$0.001 per share), a gain of \$132,000 arising on a reduction in the fair value of the convertible notes liability.

At June 30, 2014, the Company held \$220,000 in cash and cash equivalents. In April 2014 the Company secured further advances of \$250,000 from its major shareholders to fund its working capital for the remainder of 2014.

At June 30, 2014, the Company had not achieved profitable operations, had an accumulated deficit since inception and expects to incur further losses in the development of its business. The continuing operations of the Company are dependent upon its ability to raise adequate financing for working capital, pre-feasibility and feasibility studies, and in the longer term to build the proposed mine at Bilbao.

On July 28, 2014, the Company announced that it had initiated a strategic review to consider alternatives in relation to its Bilbao Silver-Zinc-Lead Project (the "Bilbao Project") in Zacatecas, Mexico and has retained Jennings Capital Inc. to assist in the strategic review process.

Strategic alternatives include, but are not limited to, financing structures for the development of the Bilbao Project, the sale of all or a portion of the Company's interest in the Bilbao Project or a corporate transaction.

There are no assurances that the process will result in a transaction or, if a transaction is undertaken, as to the commercial terms or timing of such a transaction.

The following clarifies and corrects summary disclosure concerning the Bilbao Project which appeared in the Company's July 28th and April 28, 2014 news releases and prior disclosure.

The Bilbao Project

The Bilbao Project is a polymetallic sulphide and oxide replacement silver-zinc-lead-copper deposit located approximately 500km northwest of Mexico City in the southeastern part of the State of Zacatecas.

On April 28, 2014 the Company announced that it had received an updated National Instrument 43-101 ("NI 43-101") compliant resource estimate and a Preliminary Economic Assessment (PEA) on the Bilbao Project, both prepared by RungePincockMinarco (Canada) Limited (RPM). *The PEA is preliminary in nature in that it includes in part inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves.*

Mineral resources that are not mineral reserves do not have demonstrated economic viability. There is no certainty that the results projected by the PEA will be realized with further work and actual results may vary substantially. Because inferred resources are speculative, the modifying factors that are applied to assess the potential economic viability of the project are also speculative.

As previously reported, a new Zn/Pb/Ag/Cu resource estimation of the Bilbao deposit was prepared by RPM to incorporate new drilling information acquired during 2011-2013. This resource estimation, included in the PEA, by mineral type at 3% Zn equivalent cut-off, excluding approximately 1 million tonnes of previously mined out ore, is shown in the following tables:

Indicated Resource

Mineralization Type	Zn equiv. (%)	Tonnes	Zn %	Pb %	Ag (ppm)	Cu %
Oxide	6.69	791,082	1.73	2.53	39	0.18
Mixed	7.93	778,336	2.52	2.48	51	0.21
Sulphide	7.56	4,555,809	2.38	1.57	72	0.18
Total	7.50	6,125,227	2.31	1.81	65	0.19

Inferred Resource

Mineralization Type	Zn equiv. (%)	Tonnes	Zn %	Pb %	Ag (ppm)	Cu %
Oxide	6.38	3,069,852	1.69	2.23	42	0.16
Mixed	4.43	238,923	0.59	1.13	55	0.11
Sulphide	4.31	1,201,032	0.67	0.77	60	0.11
Total	5.73	4,509,537	1.36	1.78	47	0.15

A previous resource estimation was originally carried out by Richard Parker Consulting Geologist in 2011 and included 84 drill holes. The resources reported in 2011 (including both oxide and sulphide) were 10,617,891 tonnes @ 6.48% Zn equiv. in the Indicated category and 430,000 tonnes @ 5.19% Zn equiv. in the Inferred category. (Technical Report dated April, 2011 entitled "Geology and revised Minerals resources of the Bilbao Silver-Lead-Zinc Deposit - State of Zacatecas, Mexico" by RTG Parker, Consulting Geologist).

For the purposes of the PEA, RPM has estimated that approximately 5.2 million tonnes grading 2.10% Zn, 1.40% Pb and 63.96 grams Ag per tonne of the indicated and inferred underground sulphide resources are potentially mineable. The tonnes and grade include an average dilution of 10 percent, at zero grade, as well as mining losses of 5%. The RPM PEA relies on indicated mineral resources as well as inferred mineral resources. The economic analysis in the PEA completed by RPM for a 720,000 tonne per year processing plant capacity and is based on this potentially mineable tonnage. *Mineral resources that are not mineral reserves do not have demonstrated economic viability. There is no certainty that the results projected by the PEA will be realized with further work and actual results may vary substantially. Because inferred resources are speculative, the modifying factors that are applied to assess the potential economic viability of the project are also speculative.*

RPM's recommendations contained in the PEA identified various opportunities to increase the potentially mineable portion of the indicated and inferred sulphide resource and reduce operating costs through additional exploration and engineering to improve the overall economics of the Bilbao Project. Recommendations included:

- Additional definition drilling targeted at the Bilbao transition and sulphide zones could lead to re-classification of inferred resources to indicated resources, potentially adding to the potentially mineable portion of the current indicated resource;
- The potential to increase level spacing and correspondingly reduce level development, through use of cable bolts, may lead to lower mine development costs;
- Further analysis of hydraulic and sand backfilling options, in terms of preparation and distribution, may further reduce overall operating costs;
- There may also be opportunity to reduce operating costs significantly (~US\$5/t to US\$6/t) by reducing the number of stopes filled with backfill;
- Potential also exists for deferral of ramp and associated development;
- Inclusion of transition zone material in the mine plan should be investigated (requiring additional metallurgical testwork) to extend the life of mine and/or potentially increase the mining rate per year;

- Further optimization of stope sequencing could lead to improved cash flow; and
- Exploration drilling at the Bilbao 2 area, approximately 1.5 km south of Bilbao, has potential to offer additional mineral resources to the project due to the fact that current trenching, sampling and resulting soil geochemistry information identifies similarities between the two areas. An additional source of feed to the designed plant could lengthen the overall life of the mine, increase the daily production rate, or result in a combination of the two, improving the NPV and IRR of the project.

The PEA is set out in a technical report, prepared in accordance with NI 43-101, was filed on April 28, 2014 under the Company's profile on SEDAR at www.sedar.com.

Qualified Person

Scientific and technical information disclosed in this press release was prepared by or under the supervision of and approved by Gerald J. Gauthier, P.Eng., the President and Chief Operating Officer of the Company and a 'qualified person' within the meaning of NI 43-101.

About Xtierra Inc.

Xtierra Inc. is a Toronto based exploration and development company listed on the TSX Venture Exchange. Xtierra's shares trade under the symbol "XAG". Xtierra has 115,370,336 shares issued and outstanding.

Xtierra is currently evaluating the development of its Bilbao Silver-Zinc-Lead Project, located in the Central Mexican Silver Belt in the State of Zacatecas.

Cautionary Notes:

This press release may contain "forward looking information" within the meaning of applicable Canadian securities legislation. The TSX Venture Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of the content of this release.

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Die URL für diesen Artikel lautet:

<https://www.goldseiten.de/artikel/215008--Xtierra-Reports-Second-Quarter-Results.html>

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