Arian Silver's MD&A and Results for the Financial Year Ended 31 December 2012

01.03.2013 | Marketwired

NOT FOR DISTRIBUTION TO U.S. NEWSWIRE SERVICES NOR FOR DISTRIBUTION IN THE UNITED STATES

LONDON, ENGLAND -- (Marketwire - March 1, 2013) - Arian Silver Corporation ("Arian" or the "Company") (TSX VENTURE:AGQ) (AIM:AGQ) (FRANKFURT:I3A), a silver exploration, development and production company with a focus on projects in the Zacatecas silver belt of Mexico, announces the release of its Management's Discussion and Analysis ("MD&A") and audited Financial Statements ("Financials") for the year ended 31 December 2012.

The MD&A and audited Financials will be available at SEDAR at www.sedar.com and on the Company's website at www.ariansilver.com. These documents can also be obtained on application to the Company. The following information has been extracted from the MD&A and Financials. The financial information in this announcement does not constitute full statutory accounts.

Arian's Chief Executive Officer, Jim Williams, commented today: "2012 has been a busy year for the Company during which we significantly increased our silver, lead and zinc resources at our flagship San José property, and acquired land at San José to accommodate a proposed custom mill. In addition, we concluded independent studies on mining, plant design and metallurgy, as well as a technical audit combining the results of these studies. These have been important steps for the Company's growth plans, and coupled with the intended acquisition of a custom mill, can be expected to result in significantly improved efficiencies through better metal recoveries, higher throughput and lower overall production costs.

Our new toll milling operations resumed in February at a newly refurbished mill with capacity of up to 500 tpd, which will provide essential cash flow to the business. We will report production details with our Q1 results.

Arian looks forward to continued progress on all fronts during the rest of 2013 and once again, I'd like to thank shareholders, employees, and all those associated with supporting the Company."

OVERVIEW OF 2012

Financial

	Annual 2012 $000s	Annual 2011 $000s	Change $000s
Revenue	4,588	7,467	(2,879)
Gross (loss)/profit	(764)	812	(1,576)
Net (loss)/profit for the period	(4,031)	(10,970)	6,939
Cash and cash equivalents	491	3,991	(3,500)
Total assets	14,119	16,250	(2,131)

The decrease in revenues and gross profits, and the net loss, was a result of the suspension of milling operations following a dispute with the mill owner.

The 2012 net loss of $4.0 million ("m") was $6.9m less than the 2011 loss of $10.97m. The latter included a charge of $8.5m in respect of share option expenses.

Operations

Following a dispute with the third party mill owner, Contracuña SA de CV ("Contracuña"), the Company announced in July 2012 that production was suspended.

In November 2012 a contract was signed with an independent third party for toll milling a minimum 90,000 tonnes of run of mine ("ROM"). Milling commenced at this mill on 16 February 2013.

	Annual 2012*	Annual 2011	Change %
Tonnes mined	51,893	100,223	(48%)
Tonnes milled	53,297	83,959	(37%)
Silver concentrate tonnes produced	600	750	(20%)
Silver ounces produced	165,304	248,226	(33%)
Silver ounces per concentrate tonne produced	276	331	(17%)
Silver ounces sold	177,960	235,965	(25%)
Silver concentrate tonnes sold	648	706	(8%)

** Production in 2012 was suspended in July*

Exploration

- Phase 4 drilling programme indicated continuity of the vein thickness, silver mineralisation and grade along the San José Vein ("SJV").

- Results of the geophysical Induced Polarisation ("IP") survey identified the areas of probable vein displacements and provided targets for some of the last holes to be drilled in the Phase 4 drilling programme (see the Company's press release dated 16 January 2012 entitled "Arian Silver Reports Further Encouraging Exploration Progress at San José").

- On 12 March 2012, Arian reported a significant resource estimate upgrade (see the Company's press release entitled "Arian Silver Increases Contained Silver at San José by 32% to More Than 117 Million Ounces in Updated Mineral Resource Estimate").

Subsequent Events

Funding

The Company is seeking additional finance to help achieve its strategy of increasing shareholder value by increasing production, productivity and mine capacity, and is actively discussing funding possibilities with interested parties.

Mill operations

Toll milling fully resumed on 16 February 2013 with a privately owned operator, Beneficiadora de Jales y Minerales Juan Reyes SA de CV ("Juan Reyes"). The contract with Juan Reyes gives exclusive use of the mill to Arian, is renewable by mutual consent and is initially for the processing of 90,000 tonnes of run-of-mine material from the San José mine. The mill operates with supervisory assistance from Arian personnel to help optimise processing to maximise material throughput and silver, lead and zinc recoveries.

Juan Reyes had indicated to Arian that the mill would be ready for operations in December 2012. Arian has been actively involved in project management to help ensure that the mill is properly commissioned.

The dispute with the owners of Contracuña caused toll milling operations to be suspended in July 2012. Although all amounts owed to Arian by Contracuña have now been repaid, Arian has submitted a claim for damages, which has been met by a counter-claim by Contracuña, which Arian believes, has been submitted solely to frustrate the legal process and is without merit.

SUMMARY OPERATING PERFORMANCE 2012

	Fourth Quarter 2012	Fourth Quarter 2011	Annual 2012	Annual 2011	Annual Change%
Head grade - Ag grams per tonne	-	201	177	190	(7
Tonnes mined	-	24,433	51,893	100,223	(48%)
Tonnes milled	-	22,971	53,297	83,959	(37%)
Silver concentrate tonnes produced	-	256	600	750	
Silver ounces produced	-	76,618	165,304	248,226	
Silver ounces per concentrate tonne produced	-	300	276	3	
Silver ounces sold	-	77,738	177,960	235,965	(25%
Silver concentrate tonnes sold	-	242	648	706	(8%

Production during 2012 was undertaken by Contracuña. In July 2012 Arian announced the suspension of production in July 2012 following a dispute with Contracuña. Arian has lodged court proceedings in Mexico to claim for damages.

Arian conducted further metallurgical testing during the year and announced in October 2012 recoveries in the order of 80% had been achieved using a "Leach-Ox" process (direct leaching of the ROM material). The test report further suggested there was significant upside potential to improve the recoveries of silver with the addition of flotation within the mill circuit to process the deeper seated, less oxidised/more sulphide rich material.

During November 2012 Arian agreed terms for toll milling of a minimum of 90,000 tonnes of run of mine ("ROM") ore at a cost of US$38 per tonne with a newly refurbished 500 tpd plant in Zacatecas. The plant is owned and controlled by an independent third party, Juan Reyes, and toll milling began on 16 February 2013.

MINERAL RESOURCE ESTIMATE

On 12 March 2012, Arian reported a significant resource estimate upgrade (see the Company's press release entitled "Arian Silver Increases Contained Silver at San José by 32% to More Than 117 Million Ounces in Updated Mineral Resource Estimate").

The highlights of this announcement were:

- 29% increase in resource tonnage along the SJV from the July 2011 mineral resource estimate;
-- Contained ounces of silver have increased by 32%;
-- Contained pounds of lead have increased by 29%; and
-- Contained pounds of zinc have increased by 30%;

- Mineralisation remains open along the western and eastern strikes of the SJV and to depth; and

- Further drilling is planned to infill the current resources, step out along the remaining SJV structure in both directions, and to drill at depth on the SJV.

Arian's resource estimate includes all drilling programmes from 2006 along the SJV which has a delineated NI 43-101 and a JORC-compliant resource estimate of approximately 30.61 million ounces of silver, 67.02 million pounds of lead and 149.91 million pounds of zinc in the "indicated" mineral resource category, and 88.65 million ounces of silver, 205.25 million pounds of lead and 410.50 million pounds of zinc in the "inferred" mineral resource category. These NI 43-101 and JORC-compliant mineral resources are summarised in the table below:

Resource Category		Average Grade			Contained Metal		
	Tonnes (t)	Ag (g/t)	Pb %	Zn %	Ag (Moz)	Pb (Mlb)	Zn (Mlb)
Indicated	8,000,000	119	0.38	0.85	30.61		
Inferred	24,500,000	110	0.38	0.76	86.65		

1. Geological characteristics and +30 ppm grade envelopes used to define resource volumes.

2. Each mineral resource estimate is in accordance with CIM standards.

3. The effective date of each mineral resource estimate is 12 March 2012.

4. The estimates are based on geological, statistical and geostatistical data assessment and computerised IDW3, Ag grade wireframe restricted, linear block modelling.

5. The resource was estimated using 188 drill holes and more than 38,000 metres.

6. Resource figures were prepared under the supervision of Malcolm Titley who is a Qualified Person (as defined in Canadian National Instrument 43-101).

7. Tonnage figures have been rounded to reflect this as an estimate.

8. Ag (silver) ounces have been calculated using 31.1035 g = 1 oz.

9. Pb (lead) and Zn (zinc) tonnes have been calculated using 2204.622 lbs = 1 tonne.

10. The mineral resource is 100% owned by Arian.

The following reports prepared by A.C.A. Howe International Limited relating to the San José project are available on the Company's website www.ariansilver.com or on SEDAR at www.sedar.com :-

a) Report dated 22 September 2009 and entitled "Preliminary Economic Assessment Report (PEAR) on the San José Silver-Lead-Zinc Deposit, Zacatecas, Mexico"; and

b) Report dated 15 August 2008 and entitled "Resource Estimation Update for the San José Silver-Lead-Zinc Deposit, Zacatecas, Mexico".

Readers are reminded that mineral "resources" are not mineral "reserves" as they have not yet demonstrated economic viability. There is no certainty that mineral resources can be upgraded to mineral reserves through continued exploration.

REVIEW OF OPERATIONS

The Company owns 31 mineral concessions in Mexico totalling approximately 7,900 hectares as set out below.

Project Name	No. of Concessions	Area in hectares ("ha")
San José	11	6,279.57
Calicanto	7	83.97
Others	13	1,536.47
Total	31	7,900.01

San José project, Zacatecas State

Overview

The 100%-owned San José property lies 55 kilometres to the southeast of Zacatecas City and covers 11 mining concessions totalling approximately 6,300ha. The property has significant infrastructure, including a 4x5 metre main haulage ramp extending more than 4.0 kilometres along the footwall of the SJV system, and a 350 metres deep, 500 tpd vertical shaft with operational hoist. In addition, a number of shallower vertical shafts are located in a westerly direction along the SJV.

The continuation of ramp development at the San José mine enabled the mine to remain fully prepared and ready to recommence immediately to accommodate the resumption of milling.

2012
Production information summary for San Jose mine: Full Year Q4 Q3 Q2 Q1
Head grade (mill): Ag grams per tonne (g/t) 177 - - 181 173
Tonnes mined 51,893 - 4,072 26,268 21,553
Tonnes milled 53,297 - - 28,903 24,394
Ag concentrate tonnes produced 600 - - 298 302

Recovery % 53.88 - - 58.74 49.01
Ag ounces produced 165,304 - - 98,616 66,688
Ag ounces per concentrate tonne produced 276 - - 331 221
Ag ounces sold 177,960 - 8,937 93,112 75,911
Ag concentrate tonnes sold 648 - 32 286 330

Quarter end inventory balances
Mined tonnes stockpile 18,192 18,192 18,204 15,003 17,637
Ag concentrate inventory tonnes - - - 36 24
Ag ounces included in concentrate inventory - - - 11,276 5,772

2011
Production information summary for San Jose mine: Full Year Q4 Q3 Q2 Q1
Head grade (mill): Ag grams per tonne (g/t) 190 201 199 178 178
Tonnes mined 100,223 24,433 33,941 22,387 19,462
Tonnes milled 83,959 22,971 21,512 18,348 21,128
Ag concentrate tonnes produced 750 256 204 144 146
Recovery % 48.43 51.68 47.76 56.66 38.08
Ag ounces produced 248,226 76,618 65,804 59,568 46,236
Ag ounces per concentrate tonne produced 331 300 323 412 316
Ag ounces sold 235,965 77,738 77,587 41,868 38,772
Ag concentrate tonnes sold 706 242 221 117 126

Quarter end inventory balances
Mined tonnes stockpile 20,478 20,478 19,016 9,972 2,549
Ag concentrate inventory tonnes 52 52 39 57 29
Ag ounces included in concentrate inventory 14,995 14,995 14,118 23,075 10,195

Tonnes mined

No tonnes were mined in Q4 2012. The decrease in tonnes mined from Q4 2011 to Q4 2012 of 24,433 tonnes (100%) and decrease in tonnes mined from Q3 2012 to Q4 2012 of 4,072 tonnes (100%) was due to the suspension of production.

Tonnes milled

No tonnes were milled in Q4 2012 due to the suspension of production.

Mined tonnes stockpile

The stockpile of mined ore was 18,192 tonnes at the end of Q4 2012 compared to 20,478 tonnes at the end of Q4 2011.

Silver concentrate inventory tonnes

Silver concentrate inventory balance at the end of Q4 2012 was nil compared to 52 tonnes at the end of Q4 2011. This follows the suspension of production and the sale of all remaining silver concentrate.

Mining Operations

The initial mining operation that commenced in 2010 focussed on the Ramal Norte/Sur, San José 75m Level Central Zone and Santa Ana resource blocks. These were selected by Arian, from several delineated resource blocks, to support an initial pilot scale mining operation, which when added to the Soledad resource block increases the potential mine rate to 1,500 tpd subject to available milling capacity.

During 2012, Arian continued preparing and exploring mining blocks to verify continuity of mineralisation to ensure production to the plant, ready for the increase in milling capacity due to the operation of the 4th ball mill which commenced operation in May 2012.

			2012		
	Full Year	Q4	Q3	Q2	Q1
Exploration Drilling	253	-	12	121	120
Ramp development	489	81	68	242	98
Preparation	338	-	8	151	179
Raises	96	-	33	31	32

All figures in this table are quoted in metres

Ramp development in the Santa Ana area provided access to blocks indicated by diamond drilling on level 70, enabling further verification of resource for further exploitation and extraction below this level. The ramp continues development below level 120 to explore continuity of blocks as there is evidence of mineralisation at 300 metres depth.

Contract mining was minimised during the second half of 2012 to avoid excessive stockpiling; ramp development continued.

Looking forward to the planned resumption of mining at 500 tpd, mining costs are expected to be $32/tonne including transport between the mine and mill.

Milling Operations

During Q1 and Q2 2012 Arian contracted its milling operations on a fixed monthly fee basis with Contracuña. However, a dispute was announced on 16 July 2012 which resulted in the suspension of milling operations. On 7 August 2012 Arian filed a claim against Contracuña to recover all losses and damages for breach of contract.

The Contracuña mill had a maximum rating of 400 tpd but it was not designed for the hardness and abrasiveness of the San José ROM material. Significant improvement had been made to this mill that allowed it to increase to over 400 tpd during May 2012, following the installation of the 4th in-line ball mill and other modifications.

On 9 August 2012 Arian announced that it had signed a letter of intent, for the exclusive use of a newly refurbished and soon to be re-commissioned 500 tpd mill. This mill, which is located nearby on the outskirts of the city of Zacatecas, began toll milling on 16 February 2013.

Arian believes that the use of this re-commissioned mill will increase recoveries and further test the potential for a larger scale commercial operation.

A 2% net smelter royalty ("NSR") on SJV revenue is payable to the vendor of the San José property. The vendor of the San José property also owns the newly refurbished toll mill being commissioned. It is therefore in the interests of the vendor to ensure the toll mill maximises recoveries.

Laboratory

Since April 2011 Arian has had a sample preparation and analytical laboratory on site at San José operated on behalf of Arian by the Stewart Group, which is now a subsidiary of the ALS Chemex Group. This is a valuable asset for Arian because it allows for the rapid turnaround of samples and provides vital information to our operational personnel to ensure that operating decisions are in a timely manner. In addition the laboratory provides an invaluable tool during drilling programmes which has significantly decreased the turnaround times for analysis of Arian's drill samples.

The laboratory comprises a comprehensive sample preparation facility, wet chemistry facility, atomic absorption spectrometry ("AAS") and fire-assay ("FA"), for final determinations of silver, lead and zinc. The laboratory is fully compliant with Arian's quality assurance and quality control (QA/QC) programme.

Exploration Information

In January 2012, Arian released interim drill results relating to the Phase 4 drilling programme which indicated continuity of the vein thickness, silver mineralisation and grade along the SJV. Also announced were the results of the geophysical Induced Polarisation ("IP") survey which identified the areas of probable vein displacements and provided targets for some of the last holes to be drilled in the Phase 4 drilling programme (see the Company's press release dated 16 January 2012 entitled "Arian Silver Reports Further Encouraging Exploration Progress at San José").

On 12 March 2012 the Company announced the conclusions of an independent resource update by CSA Global (UK) Limited which took into account all the Phase 1, 2, 3 and 4 drilling programmes; the Technical Report is available on the Company's website and was filed on SEDAR on 25 April 2012 at www.sedar.com.

Mineral Resource

Arian's resource estimate includes all drilling programmes from 2006 along the SJV which has a delineated NI 43-101 and a JORC-compliant resource estimate of approximately 30.61 million ounces of silver, 67.02 million pounds of lead and 149.91 million pounds of zinc in the "indicated" mineral resource category, and 88.65 million ounces of silver, 205.25 million pounds of lead and 410.50 million pounds of zinc in the "inferred" mineral resource category. These NI 43-101 and JORC-compliant mineral resources are summarised in the table on page 8.

Calicanto and other projects

Overview

Arian owns 100% of the Calicanto Project which consists of seven adjacent mining concessions totalling 84ha, namely: Calicanto, Vicochea I, Vicochea II, Misie 1 and Misie 2, and Missie 1 and Missie 2 properties, collectively known as the "Calicanto Group". The concessions are located in the historic mining district of Zacatecas. The Calicanto Group of concessions comprises at least four main mineralised vein systems.

There has been no significant expenditure on the Calicanto Project during the past two years.

Additional information in respect of the Calicanto Project is contained in a technical report prepared by A.C.A. Howe International Limited dated 20 March 2006 and entitled "Technical Report on the Calicanto and San Celso Projects, Zacatecas, Mexico". A copy of this report is available on the Company's website www.ariansilver.com or on SEDAR at www.sedar.com.

This press release does not constitute an offer to sell or a solicitation of an offer to buy any of the securities of the Company in the United Sates. The securities of the Company have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws and may not be offered or sold within the United States or to U.S. persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) and no stock exchange, securities commission or other regulatory authority accepts responsibility for the adequacy or accuracy of this release nor approved or disapproved of the information contained herein.

Contact

Arian Silver Corporation
Jim Williams, CEO
(London) +44 (0)20 7887 6599
jwilliams@ariansilver.com

Arian Silver Corporation
David Taylor, Company Secretary
(London) +44 (0)20 7887 6599
dtaylor@ariansilver.com

Grant Thornton Corporate Finance
Gerry Beaney / David Hignell
(London) +44 (0)20 7383 5100
gerry.d.beaney@uk.gt.com

Yellow Jersey PR Limited
Dominic Barretto
(London) +44 (0)7768537739
dominic@yellowjerseypr.com

XCAP Securities PLC
Jon Belliss
(London) +44 (0)20 7101 7070
jon.belliss@xcapgroup.com

CHF Investor Relations
Juliet Heading
(Canada) +1 416 868 1079 x 239
juliet@chfir.com