

# Arian Silver's MD&A and Results for the Three Months Ended 31 March 2014

16.05.2014 | [Marketwired](#)

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LONDON, ENGLAND -- (Marketwired - May 16, 2014) - [Arian Silver Corporation](#) ("Arian Silver" or the "Company") (AIM:AGQ) (TSX VENTURE:AGQ) (FRANKFURT:I3A), a silver exploration, development and production company with a focus on projects in the silver belt of Zacatecas, Mexico, announces today the release of its Management's Discussion and Analysis ("MD&A") and unaudited Financial Statements ("Financials") for the three months ended 31 March 2014.

The MD&A and audited Financials will be available at SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.ariansilver.com](http://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.

The Company's strategy is to:

- establish a silver mining business capable of sustaining a minimum of two million ounces of silver per annum plus lead and zinc, and
- to build shareholder value by expanding silver and base metal resources on the Company's mining concessions in Zacatecas, Mexico.

The Company has made good progress in the advancement of the San José Project in the first quarter of 2014. Highlights include:

- Refurbishment of the Plant is near completion and the Plant is on track to begin commissioning by end 2014.
- Transportation of the refurbished Plant to the new site has commenced.
- Installation of a new line to supply grid power to the new plant site is complete.
- Pre-construction earthmoving at the new site is complete.
- Development of a new access ramp into the Soledad section of the San José mine has commenced.

Cash and cash equivalents as at 31 March 2014: \$5.0m.

Arian Silver's Chief Executive Officer, Jim Williams, commented today: "Arian Silver continues to advance its flagship San José project with the refurbishment of the processing plant on track to begin commissioning by the end of 2014; the site for the refurbished plant is taking shape and we will soon be commencing the reassembly stage of the process. Our discussions regarding the refinancing of our debt facility continue positively and I look forward to reporting further on this in due course."

## Financial

Three months ended		Three months ended 31 Mar 2013		Change	
31 Mar 2014			31 Mar 2013		
\$000s	\$000s		\$000s		
Gross loss	(13)	(206)	193		
Net loss for the period		(1,053)	(956)	(97)	
As at					
31 Mar 2014		As at			
31 Dec 2013		Change			
\$000s	\$000s		\$000s		
Cash and cash equivalents		4,967	7,241		(2,274)
Total assets	29,454		28,366	1,088	

Total assets increased since 31 December 2013 following the continued investment in the Plant and the development of the San José mine, and the capitalisation of interest for the period. The cash balance reflects the investment in mine and Plant development together with general working capital spend.

The reduced gross loss between the Q1 2013 and Q1 2014 periods comes as a result of the Company's switch from production to development. The increased net loss is primarily on account of the fair value adjustment relating to the derivative liability (this is explained further in note 7 to the Q1 Financial Statements).

Financing discussions continue to advance positively.

## Operations

First Quarter 2014	First Quarter 2013	Change		
Head grade - Ag grams per tonne	-	174	(100%)	
Tonnes mined	5,739	-	100%	
Tonnes milled	-	258	(100%)	
Silver concentrate tonnes produced	-	4	(100%)	
Silver ounces produced	-	878	(100%)	
Silver ounces per concentrate tonne produced	-	-	251	(100%)
REVIEW OF OPERATING PERFORMANCE				
Q1				
2014	Q4			
2013	Q3			
2013	Q2			
2013				
Head grade - Ag grams per tonne (g/t)	-	-	-	191
Tonnes mined	5,739	8,057	1,816	4,628
Tonnes milled	-	-	3,221	
Silver concentrate tonnes produced	-	-	-	43
Recovery %	-	-	41.42	
Silver ounces produced	-	-	-	8,180
Silver ounces per concentrate tonne produced	-	-	-	-
Silver ounces sold	-	-	-	9,058
Silver concentrate tonnes sold	-	-	-	37
Quarter end inventory balances				
Mined tonnes stockpile	32,754	27,015	18,958	17,142
Silver concentrate inventory tonnes	-	-	-	-
Silver ounces included in concentrate inventory	-	-	-	-
Q1				
2013	Q4			
2012	Q3			
2012	Q2			
2012				
Head grade - Ag grams per tonne (g/t)	174	-	-	181
Tonnes mined	-	4,072	26,268	
Tonnes milled	258	-	28,903	
Silver concentrate tonnes produced	4	-	-	298
Recovery %	60.90	-	58.74	
Silver ounces produced	878	-	-	98,616
Silver ounces per concentrate tonne produced	-	251	-	-
Silver ounces sold	-	8,937	93,112	331
Silver concentrate tonnes sold	-	-	32	286
Quarter end inventory balances				
Mined tonnes stockpile	17,935	18,192	18,204	15,003
Silver concentrate inventory tonnes	4	-	-	36
Silver ounces included in concentrate inventory	-	878	-	-

The Company is in the final stage of the refurbishment of the Plant in-situ, and has commenced the dismantling and transport of the Plant to the Company's 100%-owned site adjacent to the San José mine. A new line to supply grid power to the new plant site has been installed, pre-construction earthmoving is complete and a new decline into the Soledad section of the San José mine has commenced.

It is anticipated that the Plant will be commissioned around the end of 2014 with an initial capacity of 750 tonnes per day ("tpd"). The plant will be subsequently expanded to 1,500 tpd.

Mining and development at the San José mine were maintained at a reduced rate during Q1 2014 as the Company operates a programme of mine development designed to ensure readiness for the resumption of processing operations.

## Subsequent Events

None

## REVIEW OF FINANCIAL PERFORMANCE

### Summary of Quarterly Results

The Company's focus during the quarter was the ongoing project of the refurbishment, relocation and construction of the El Bote Processing Plant and the development of the San José mine.

Unaudited 2014 2013 2012

Q1

\$'000 Q4

\$'000 Q3

\$'000 Q2

\$'000 Q1

\$'000 Q4

\$'000 Q3

\$'000 Q2

\$'000

Revenue - - -

129 - 34 136

2,104

Cost of sales (13) (49) (25) (413) (206) (256)

(475) (2,242)

Gross loss (13) (49) (25) (284) (206) (222)

(339) (138)

Net investment income/(loss) 2 1 44 (68) (21) (84) 57 (127)

Net profit/(loss) for the period (1,053) (583) 875 (947) (956) (1,156) (968) (1,133)

Basic and diluted earnings/(loss) per share (\$0.03)

(\$0.02) \$0.03 (\$0.03) (\$0.03) (\$0.04) (\$0.03)

(\$0.04)

Total assets 29,454 28,366 27,361 14,582 15,154 14,119 14,409

15,021

Total non-current financial liabilities (190) (187) (185)

(182) (186) (177) (175) (172)

Shareholders' equity (14,842) (15,784) (15,717) (13,414) (13,971) (13,003) (13,464)

(13,647)

## LIQUIDITY, CAPITAL RESOURCES AND WORKING CAPITAL

At 31 March 2014 the Company had cash and cash equivalents of \$5.0m (31 December 2013: \$7.2m) and working capital deficiency of \$6.9m.

Cash and cash equivalents decreased by \$2.3m during Q1 2014 as a result of \$1.2m used in operating activities, \$0.5m investment in the purchase and refurbishment of the El Bote plant, \$0.6m investment in mine development at the San José mine and \$0.1m foreign exchange loss.

### Working Capital - 31 March 2014

As at 31 March 2014, the Company had a net current liability of \$6.9m (31 December, 2013: \$2.8m). The items of working capital and changes compared to 31 December 2013 are as follows:

#### Current assets

- Cash and cash equivalents of \$5.0m (31 December 2013: \$7.2m).

- Trade and other receivables of \$1.4m (31 December 2013: \$1.3m). \$0.9m of the outstanding balance relates to the IVA (government sales tax) debtor owed to Arian which is in the process of being recouped as well as \$0.2m from Siberian Goldfields.

- Inventories of \$1.1m (31 December 2013: \$1.0m) relates to stockpiled ore held at cost relating to production at the San José mine.

#### Current liabilities

- Trade payables of \$1.0m (31 December 2013: \$1.2m).

## Capital Resources

### Convertible Note

On 29 August 2013, the Company issued a convertible note instrument raising \$15.6m before transaction costs, with Platinum Long Term Growth VIII, LLC. The instrument is convertible in whole or in part at the option of the note holder at a conversion price of C\$1.10. The Note will mature at a premium of 5% if not otherwise converted before 29 August 2014. On closing, the Company prepaid the full interest of 14%. This facility was entered into to fund the purchase, refurbishment, transportation and reassembly of the Plant, and the development of the San José mine.

### Standby Equity Distribution Agreement ("SEDA")

The Company announced on 27 September 2012 it had signed a three year £5m standby equity distribution agreement with YA Global Master SPV Ltd, an investment fund managed by Yorkville Advisors Global, L.P. The SEDA allows the company to draw down funds in exchange for the issue of shares in the Company.

Under the terms of the SEDA, equity is issued at 95 per cent of the prevailing market price over a pricing period of between 5 and 20 days. The amount of each drawdown may not exceed 400 per cent of the average daily trading volume of shares multiplied by the volume weighted average price on AIM for the five trading days prior to the drawdown request.

Use of the facility is entirely at the discretion of the Company and there are no penalties for not drawing down on the facility.

As at 31 March 2014 £2.2m remains available to draw down on this facility.

### Share options

As at 31 March 2014, the following share purchase options were outstanding, each entitling the holder to acquire one common share of the Company:

2,231,000 share purchase options with exercise prices ranging from £0.325 to £4.925 or C\$0.576 to C\$7.90 expiring on various dates up to January 2019.

### Off-balance sheet arrangements

The Company has no off-balance sheet arrangements.

## FUTURE OUTLOOK

The Company is currently in an advanced stage of the refurbishment, transport and construction of the El Bote Processing Plant.

The Plant, which is expected to have begun commissioning by the end of 2014, will have a maximum capacity to treat up to 1,500 tonnes per day of silver-lead-zinc ore and is projected to deliver substantial cost savings against the previous toll milling operations. With reduced operating costs, the Company should enjoy significantly higher operating margins than would otherwise have been achievable under previous toll milling arrangements.

The completion of the construction of the Plant will be a significant development for the business and a critical event as the business moves towards the execution of its long term strategy.

### Forward-Looking Information:

*This press release contains certain "forward-looking information". All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future. This forward-looking information reflects the current expectations or beliefs of the Company based on information currently available to the Company as well as certain assumptions (including that the Company will be able to obtain the necessary financing). Forward-looking information is subject to a number of significant risks and uncertainties and other factors that may cause the*

*actual results of the Company to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company. Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to, the failure to raise the necessary financing, as well as unexpected delays in completing the transportation and refurbishment of the El Bote Processing Plant which could lead to unexpected delays in the start of operations and delays in the Company's mine expansion plans.*

*Any forward-looking information speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.*

*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 States. 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.*

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Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/173826--Arian-Silverund039s-MDundA-and-Results-for-the-Three-Months-Ended-31-March-2014.html>

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