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Golden Arrow reassures investors as stock tumbles

Silver and base metals producer Golden Arrow Resources (TSXV:GRG) has this week attempted to waylay market fears about its outlook amid a sharp 61% sell-off of its equity year-to-date.



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Chairman Joseph Grosso attempted to reassure investors that the recent market activity did not reflect the fundamentals of the Argentina-focused company.

Comments

He said the flagship Chinchillas deposit's integration with Pirquitas, as part of the company's synergistic Puna Operations joint venture with SSR Mining (TSX:SSRM), was advancing on schedule and on budget.

Share

Henry Lazenby

"I would like to note that Golden Arrow has committed the bulk of its treasury and the line of credit provided by SSR to ensure its share of capex requirement is fully funded," he said.

In fact, so advanced was the integration that Chinchillas ore was now being trucked to the Pirquitas mill and processing was expected to start "imminently", Golden Arrow director David Terry told an audience at a recent industry event in Colorado.

"It's been an interesting year for us as we focus on transitioning from a precious metals and base metals projects explorer in Argentina, to a production company in partnership with SSR Mining on an asset that we discovered in 2012," Terry said.

He said Golden Arrow's strategy was focused on maximising shareholder value, and for that reason it had separated its assets into two main components. This resulted in its 25% ownership of the Puna Operations JV with SSR that was putting the Chinchillas deposit into production.

"We will place cash flow from this JV into acquisition and the advancement of other near-production opportunities and we'll also look at taking minority interests through instruments such as royalties and streaming deals."

Earthworks at Chinchillas were now ramping up with pre-stripping largely complete. Mining of the upper benches of the Chinchillas deposit had started.

Simultaneously, Golden Arrow had taken its extensive exploration portfolio and placed it into the 100%-owned subsidiary New Golden Explorations, which the company intended to spin out by December, Terry said. This would allow New Golden to fund its own exploration activities using its own sources of venture capital.

The Grosso Group had been active exploring in Argentina since 1993 and was credited with the discovery of four major deposits, including the Chinchillas silver-lead-zinc deposit. The others included Gualcamayo (now owned by Yamana Gold), Navidad (owned by Pan American Silver), and another Grosso Group-company Blue Sky Uranium was making significant new discoveries at the Amarillo Grande uranium-vanadium project.

The Chinchillas-Pirquitas operation was expected to have an active mine life beyond 2025. The deposit had about 81 million ounces of silver equivalent in the reserve base, and 140Moz in the measured and indicated resource categories.

Golden Arrow stressed it was fully funded to put Chinchillas into production.

Production during the first half of the year totalled about 1.9Moz of silver and 1.5M pounds of zinc from stockpiles. In 2017, Puna sold about six million ounces silver at an average realised price of US\$17.10/oz, and cash costs averaged \$13.07/oz, while all-in sustaining costs came in at \$14.30/oz.

Puna was expected to produce 1.4-2.8Moz of silver in 2018, as well as 7-12.5Mlbs lead and 5.5-7.5Mlbs zinc. The project had already surpassed the bottom half of the silver guidance during the first half of the year.

Terry said there remained significant exploration upside at Chinchillas and Pirquitas. Puna had been spending "some money" on prospective targets this year, which could help fill the mill's boilerplate capacity of about 5,000t/d. For now, the plan was to ramp up to the planned steady state of 4,000t/d by the end of the year.

Golden Arrow equity has traded in a narrow range between C23c-72c over the past 12 months and dipped 5.26% in the red Wednesday to change hands at 27c. This gave the company a market value of about \$27.53 million.



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