

GOLD RESOURCE CORP
Form S-3
May 23, 2014
Table of Contents

As filed with the Securities and Exchange Commission on May 23, 2014

Registration No. 333-_____

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

GOLD RESOURCE CORPORATION
(Exact name of registrant as specified in its charter)

Colorado
(State or other jurisdiction of
incorporation or organization)

84-1473173
(I.R.S. Employer
Identification No.)

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2886 Carriage Manor Point

Colorado Springs, CO 80906

(303) 320-7708

(Address, including zip code, and telephone number of registrant's principal executive offices)

Jason D. Reid

President and Chief Executive Officer

2886 Carriage Manor Point

Colorado Springs, CO 80906

(303) 320-7708

(Name, address and telephone number of agent for service)

With copies to:

David J. Babiarz, Esq.

Dufford & Brown, P.C.

1700 Broadway, Suite 2100,

Denver, CO 80290-2100

(303) 861-8013

Approximate date of commencement of proposed sale to public: As soon as practicable after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. "

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If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
 Non-accelerated filer Smaller reporting company

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered(1)	Proposed maximum offering price per share(2)	Proposed maximum aggregate offering price	Amount of registration fee
Common stock, \$0.001 par value	4,100,000	\$4.475	\$18,347,500	\$2,363.18

- (1) Pursuant to Rule 416 under the Securities Act of 1933, as amended, includes an indeterminate number of additional shares to prevent dilution in the event of stock splits, stock dividends or similar events.
- (2) Pursuant to Rule 457(c), estimated based upon the average of the high and low sales prices of the common stock on May 19, 2014.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as

amended, or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MAY 23, 2014

PROSPECTUS

GOLD RESOURCE CORPORATION

4,100,000 Shares

of Common Stock

Offered by

Selling Shareholder

Our shareholder identified in the section of this prospectus titled **SELLING SHAREHOLDER**, its transferees, pledgees, donees or successors in interest, may offer and sell from time to time up to 4,100,000 shares of our common stock owned by this shareholder. We agreed to file a registration statement of which this prospectus is a part to register the shares for resale. The shares may be offered on the NYSE MKT, in market transactions, in negotiated transactions or otherwise at prices prevailing in the market or at privately negotiated prices. We will not receive the proceeds from the sale of the shares.

The selling shareholders may sell these shares to or through one or more underwriters, broker-dealers or agents, or directly to purchasers on a continuous or delayed basis. The names of any underwriters or agents will be included in a post-effective amendment to the registration statement of which this prospectus is a part or a supplement to this prospectus, as required. In connection with our agreement to register the shares for resale, the selling shareholder has agreed to certain limitations on when and how the shares can be sold. See **PLAN OF DISTRIBUTION** on page 15 for additional information.

Our common stock currently trades on the NYSE MKT LLC, which we refer to as the NYSE MKT, under the symbol GORO. On May 22, 2014, the closing price of our common stock was \$4.44 per share.

Investing in our common stock involves risks that are described in the RISK FACTORS section beginning on page 5 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of our common stock or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2014

Table of Contents

TABLE OF CONTENTS

	Page
<u>Prospectus Summary</u>	1
<u>Risk Factors</u>	5
<u>Use of Proceeds</u>	14
<u>Selling Shareholder</u>	14
<u>Plan of Distribution</u>	15
<u>Description of Capital Stock</u>	17
<u>Legal Matters</u>	17
<u>Experts</u>	17
<u>Where You Can Find More Information</u>	17
<u>Incorporation by Reference</u>	18
About This Prospectus	Back Cover

Additional Information

This prospectus contains or incorporates by reference descriptions of certain contracts, agreements or other documents affecting our business. These descriptions are not necessarily complete. For the complete text of these documents, you can refer to the exhibits filed with, or incorporated by reference into, the registration statement of which this prospectus is a part or the documents incorporated by reference into this registration statement. (See **WHERE YOU CAN FIND MORE INFORMATION**).

This prospectus incorporates by reference documents containing important business information about our company that are not presented or delivered with this prospectus. Copies of these documents are available without charge, upon written or oral request by a person to whom this prospectus has been delivered. Requests should be made to: Gold Resource Corporation, Attn: Jason Reid, President and Chief Executive Officer, at 2886 Carriage Manor Point, Colorado Springs, CO 80906, (303) 320-7708. To ensure timely delivery of the documents, requests should be made no later than five business days prior to the date on which a final investment decision is to be made.

You should rely only on the information contained in this prospectus, or to which we have referred you. We have not authorized anyone to provide you with information other than as contained or referred to in this prospectus. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate as of the date of this document.

Table of Contents

Special Note Regarding Forward-Looking Statements

This prospectus contains or incorporates by reference forward-looking statements that involve risks and uncertainties. These statements that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. When used in this prospectus, the words plan, target, anticipate, believe, estimate, intend and expect and similar expressions to identify such forward-looking statements. Such forward-looking statements include, without limitation, the statements regarding Gold Resource Corporation's strategy, results of exploration, future plans for production, future expenses and costs, future liquidity and capital resources, future dividends and estimates of mineral reserves. All forward-looking statements in this prospectus are based upon information available to Gold Resource Corporation as of the date hereof, and the company assumes no obligation to update any such forward-looking statements. Forward looking statements involve a number of risks and uncertainties, and there can be no assurance that such statements will prove to be accurate. Gold Resource Corporation's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the **Risk Factors** section of this prospectus.

In addition to the specific factors identified under **Risk Factors** in this report, other uncertainties that could affect the accuracy of forward-looking statements include:

Decisions of foreign countries and banks within those countries;

Unexpected changes in business and economic conditions, including the rate of inflation;

Changes in interest rates and currency exchange rates;

Timing and amount of production;

Technological changes in the mining industry;

Our costs;

Changes in exploration and overhead costs;

Access and availability of materials, equipment, supplies, labor and supervision, power and water;

Results of current and future feasibility studies;

The level of demand for our products;

Changes in our business strategy, plans and goals;

Interpretation of drill hole results and the geology, grade and continuity of mineralization;

Rock formations, faults and fractures, water flow and possible CO₂ gas exhalation or other unanticipated geological situations,

Acts of God such as floods, earthquakes and any other natural disasters;

The uncertainty of reserve estimates and timing of mine construction expenditures; and

Commodity price fluctuations.

This list, together with the factors identified under **Risk Factors**, is not exhaustive of the factors that may affect any of our forward-looking statements. You should read this prospectus and the reports and other information incorporated by reference completely and with the understanding that our actual future results may be materially different from what we expect. These forward-looking statements represent our beliefs, expectations and opinions only as of the date of this prospectus. We do not intend to update these forward looking statements except as required by law. We qualify all of our forward-looking statements by these cautionary statements.

Table of Contents

PROSPECTUS SUMMARY

*The following summary highlights information contained elsewhere or incorporated by reference in this prospectus. It does not contain all of the information you should consider before investing in our stock. You should read the entire prospectus carefully, including our financial statements incorporated by reference from our Annual Report on Form 10-K and Quarterly Report on Form 10-Q, as well as the section herein entitled **RISK FACTORS** for information about important risks that you should consider before investing in our common stock.*

As used in this prospectus, unless the context requires otherwise, the terms Gold Resource, we, our or us refer to Gold Resource Corporation and where the context requires, our consolidated subsidiaries.

Our Company

We are currently engaged in the exploration for and production of gold and silver in Mexico. We were organized under the laws of the State of Colorado in 1998. We pursue exploration of gold and silver projects, both within and outside of Mexico, that we believe feature low operating costs and have the potential to produce a high return on the capital invested. We currently hold a 100% interest in six properties in Mexico's southern State of Oaxaca which we refer to as our Oaxaca Mining Unit.

We began mining and milling operations at the *El Aguila* Project on July 1, 2010. The *El Aguila* Project includes approximately 27,104 hectares of mining concessions, an access road from a major highway, haul roads, a mill facility and adjoining buildings, including an assay lab, an open pit and underground mine, tailings pond and other infrastructure. The year 2013 represented our third full year of operations at our *El Aguila* Project.

Two mines are located at our *El Aguila* Project; the *El Aguila* open pit mine and the *La Arista* underground mine. Mining at the *El Aguila* open pit mine was essentially completed in 2010 and we transitioned to processing ore from the *La Arista* underground mine in March 2011. We produce metal concentrates from the *La Arista* underground mine with gold and silver as our primary metal products and copper, lead and zinc as by-products.

During 2013, we continued to develop the *La Arista* underground mine, including reaching Level 17 on the decline ramp by year end. We developed multiple stopes and working faces for mining, predominantly from Level 10 to Level 16 during the year. Mine improvements including water pump stations, ventilation fans and a mine communication system were completed in 2013. The mining methods of long-hole stoping and cut-and-fill were utilized.

We also completed our mill expansion project during 2013, which increased the processing capacity of the flotation circuit of the *El Aguila* mill facility to a nominal 1,500 tonnes per day. The expansion included the addition of a second ball mill on the flotation circuit, doubling the amount of flotation cells, a Knelson concentrator and thickener surge tanks. We spent approximately \$7.5 million and completed the mill expansion during the fourth quarter of 2013. We expect optimization of the expanded mill to continue into 2014.

On April 30, 2014, we announced the completion of a report containing estimates of our reserves at our *La Arista* underground mine on the *El Aguila* project in accordance with the requirements of Guide 7 issued by the United States Securities and Exchange Commission (SEC). The report estimates a total of 381,000 ounces of precious metal gold equivalent proven and probable reserves at an average grade of 8.76 grams per tonne precious metal gold equivalent. The report is based on data available to us through December 31, 2013 and has not been updated for any sampling or other data collected in 2014.

Table of Contents

In the fourth quarter of 2013, the Mexican federal government enacted a tax reform package that was effective as of January 1, 2014 and which we believe will affect our results of operation. There are a number of significant changes in the Mexican tax reform package. The tax base for income tax has been amplified considering certain limitations on deductions. The business flat tax (IETU) has been repealed. Of special importance to us, a special mining royalty tax of 7.5% will apply to net profits derived by a property concession holder from the sale or transfer of extraction-related activities, which we believe will affect our company. Net profits for the purpose of this royalty will be determined in a manner similar to the calculation of general taxable income with certain deductions not available, including for investment in fixed assets and interest. In addition, owners of mining concessions will be required to pay an additional extraordinary 0.5% royalty fee on gross revenue derived from the sale of gold, silver and/or platinum. Further, a 10% withholding tax on dividend distributions has been introduced but will not supersede treaty rates.

Our principal executive offices are located 2886 Carriage Manor Point, Colorado Springs, Colorado 80906, and our telephone number is (303) 320-7708. We maintain a website at www.goldresourcecorp.com and through a link on our website you can view the periodic filings that we make with the SEC and other important information. Except for certain information which we file with the SEC and which is incorporated herein by reference, the information on our website is not part of this prospectus.

Production Summary

During 2013, mill production totaled 84,835 ounces of precious metal gold equivalent from the *El Aguila* Project, which was a 6.2% decrease in mill production from 2012. We processed an aggregate of 316,270 tonnes of ore with an average grade of 3.72 grams per tonne gold and 326 grams per tonne silver.

The Offering

Common Stock outstanding before the Offering	54,179,369 shares ⁽¹⁾⁽²⁾
Common Stock outstanding after the Offering	54,179,369 shares ⁽¹⁾⁽²⁾
Common Stock offered by the Selling Shareholders	4,100,000 ⁽³⁾
Use of Proceeds	We will not receive any proceeds from the sale of common stock by the selling shareholder.
Stock Symbol	GORO on the NYSE MKT

(1) Excludes 3,438,332 shares of common stock underlying options which are presently exercisable and another 1,546,668 shares underlying options which may become exercisable in the future.

(2) Includes shares to be offered by the selling shareholders.

(3) Assumes that (i) none of the shares offered by this prospectus have been sold by the selling shareholder and (ii) that all of the shares will be sold pursuant to the prospectus.

Risk Factors

An investment in our common stock is subject to a number of risks. Risk factors relating to our company include the following:

lack of diversification in the countries and jurisdictions where our properties are located;

Table of Contents

the limited amount of our estimated reserves and our dependence on identifying additional reserves;

a limited history of production;

the uncertainty of mineral reserve estimates;

material weaknesses in our internal control over financial reporting;

the possibility of lost revenue due to damage to or tampering with our metals concentrates during shipment or at the buyer's yards;

the likely adverse effects from a royalty tax and royalty fee recently imposed by the Mexican government;

a royalty on certain production in favor of a third party;

volatility in the price of gold and silver;

the inherent risk of exploration and development of mining properties and the possibility of unproductive properties and capital investments;

intense competition;

the possible need for additional capital;

losses from operations in the past and an accumulated deficit as of December 31, 2013 of \$5.8 million;

risks inherent in mining operations, and underground mining in particular;

significant environmental and other regulations affecting our operations and the possibility of significant costs of compliance;

pending litigation against our company;

possible adverse effects of currency fluctuations;

our dependence on a limited number of personnel;

the possibility of uninsured losses;

location of our properties in a foreign country; and

dependence on key personnel.

Risk factors relating to our common stock include the following:

volatility of our stock price;

market overhang;

requirements of the Continued Listing Criteria of the NYSE MKT;

our limited trading market;

possible future dilution; and

no assured dividends.

See **RISK FACTORS** for a full discussion of these and other risks.

Selected Financial Data

The following selected financial data sets forth our summary historical financial data as of and for the years ended December 31, 2013, 2012, 2011, 2010, and 2009. This information was derived from our audited consolidated financial statements for each period. Our selected historical financial data is qualified in its entirety by, and should be read in conjunction with the financial statements and the notes thereto incorporated by reference into this prospectus.

Table of Contents**Operating Data***(in thousands, except share and per share amounts)***Year Ended December 31,**

	2013	2012	2011	2010	2009
Sales of metals concentrate, net	\$ 125,784	\$ 131,794	\$ 105,163	\$ 14,754	\$
Mine gross profit	58,258	87,773	80,521	7,971	
Operating income (loss)	10,330	49,704	45,674	(22,839)	(34,184)
Other (expense) income	(1,355)	(2,736)	2,414	(235)	55
Income (loss) before income taxes	8,975	46,968	48,088	(23,074)	(34,129)
Provision for income taxes (benefit)	8,890	13,297	(12,037)		
Net income (loss) before extraordinary item	85	33,671	60,125	(23,074)	(34,129)
Extraordinary item			(1,756)		
Net income (loss)	\$ 85	\$ 33,671	\$ 58,369	\$ (23,074)	\$ (34,129)
Net income (loss) per common share:					
Basic:					
Before extraordinary item	\$ 0.00	\$ 0.64	\$ 1.13	\$ (0.46)	\$ (0.78)
Extraordinary item			(0.03)		
Net income (loss)	\$ 0.00	\$ 0.64	\$ 1.10	\$ (0.46)	\$ (0.78)
Diluted:					
Before extraordinary item	\$ 0.00	\$ 0.60	\$ 1.06	\$ (0.46)	\$ (0.78)
Extraordinary item			(0.03)		
Net income (loss)	\$ 0.00	\$ 0.60	\$ 1.03	\$ (0.46)	\$ (0.78)
Weighted average shares outstanding:					
Basic	53,255,259	52,846,163	52,979,481	50,042,471	43,764,703
Diluted	55,299,475	56,315,885	56,414,654	50,042,471	43,764,703

Balance Sheet Data*(in thousands)***As of December 31,**

	2013	2012	2011	2010	2009
Cash and cash equivalents	\$ 14,973	\$ 35,780	\$ 51,960	\$ 47,582	\$ 6,752
Total current assets	45,049	58,984	85,108	57,687	20,701
Land and mineral rights	227	227	227	227	227
Property and equipment, net	18,127	14,050	10,318	4,849	1,726
Deferred tax asset	27,663	31,559	19,517		
Total assets	91,969	105,629	115,170	62,797	22,665
Current liabilities	11,418	13,025	25,761	6,456	725
Long-term obligations	2,887	2,790	2,281	2,495	1,992
Shareholders' equity	75,277	89,814	87,128	53,846	19,948

See the consolidated financial statements incorporated herein by reference for additional information.

Table of Contents

RISK FACTORS

Investment in our common stock involves a high degree of risk and could result in a loss of your entire investment. Prior to making an investment decision, you should carefully consider all of the information in this prospectus and, in particular, you should evaluate the risk factors set forth below. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also impair our business operations.

Risks Relating to Our Company

Our existing production is limited to a single mine and any interruptions or stoppages in our mining activities would adversely affect our revenue. We are presently relying on a single mine to provide ore for processing at our mill facility and from which we produce concentrates to sell to fund our operations and capital requirements. Any interruption in our ability to mine this location, such as a labor strike, natural disaster, or loss of permits, would negatively impact our ability to collect revenue following such interruption. A decrease in or cessation of our mining operations would adversely affect our financial performance and may eventually cause us to cease operations.

Estimates of proven and probable reserves are uncertain and the volume and grade of ore actually recovered may vary from our estimates. Our estimate of mineral reserves represents the amount of precious metal gold equivalent that we estimated, at December 31, 2013, that could be economically and legally extracted or produced at the time of the reserve determination. Estimates of proven and probable reserves are subject to considerable uncertainty. Such estimates are, to a large extent, based on the prices of gold, silver, lead, zinc and copper and interpretations of geological data obtained from drill holes and other exploration techniques. Estimates of mineral reserves, and future cash flows to be derived from the production of such mineral reserves, necessarily depend upon a number of variable factors and assumptions, including, among others, geological and mining conditions that may not be fully identified by available exploration data or that may differ from experience in current operations; historical production from the area compared with production from other producing areas; the assumed effects of operations; historical production from the area compared with production from other producing areas; the assumed effects of maintenance costs; reclamation and post-reclamation costs; and the availability and cost of labor, equipment, raw materials and other services required to mine and refine the ore. In addition, if the price of gold, silver, lead, zinc or copper declines from recent levels, if production costs increase or recovery rates decrease, we can offer no assurance that the indicated level of recovery will be realized or that mineral reserves as currently reported can be mined or processed profitably. If we determine that certain of our mineral reserves have become uneconomic, this may ultimately lead to a reduction in our aggregate reported reserves. Consequently, if our actual mineral reserves are less than current estimates, our business, prospects, results of operations and financial position may be materially impaired.

Since we only recently released a report containing estimates of proven or probable reserves, our investment in mineral properties has not been reported as an asset in our historical financial statements which may cause volatility in our operating results and have a negative impact on the price of our stock. We prepare our financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and, until December 31, 2013, reported substantially all exploration and construction expenditures as expenses since until very recently, we were unable to establish proven or probable reserves. Accordingly, our financial statements report fewer assets and greater expenses than would be the case if we had established proven or probable reserves before we commenced mining operations, which in turn could produce volatility in our earnings and have a negative impact on our stock price.

Table of Contents

Our existing reserves are limited and our future success depends on our ability to identify and develop additional reserves to replace the reserves that will be depleted by mining at our El Aguila project. The report of our proven and probable reserves that we recently released estimates the existence of 381,400 ounces of precious metal gold equivalent at the *La Arista* underground mine at the *El Aguila* project, leading to what we estimate will be a mine life of three to four years. As we mine the ore, the reserves are depleted and will eventually be extinguished unless we can successfully identify additional reserves. Gold and silver properties are wasting assets. They eventually become depleted or uneconomical to continue mining. The acquisition of gold and silver properties and their exploration, mine construction and mining activities are subject to intense competition. Companies with greater financial resources, larger staff, more experience and more equipment for these types of activities may be in a better position than us to compete for such mineral properties. The identification of additional reserves requires continuing exploration efforts, which in turn requires a substantial investment of additional capital. This investment may deplete the funds that might otherwise be available for payment of dividends to our shareholders. If we are unable to find, advance, and economically mine new properties, we most likely will not be profitable on a long term basis and the price of our common stock may suffer.

We have identified material weaknesses in our internal controls over financial reporting that, if not properly corrected, could result in material misstatements in our financial statements. As described in Item 9A. Controls and Procedures in our Form 10-K for the year ended December 31, 2013 and Item 4 of our Form 10-Q for the quarter ended March 31, 2014, we have concluded that our internal control over financial reporting was ineffective as of December 31, 2013 and March 31, 2014 because certain material weaknesses existed in our internal control over financial reporting related to the validation of the completeness and accuracy of underlying data used in the determination of significant estimates and accounting transactions and the presentation of income tax expense. We are working to remediate these material weaknesses. However, if we are unable to remediate our material weaknesses in a timely manner, we may be unable to provide holders of our securities with the required financial information in a timely and reliable manner and we may incorrectly report financial information. Additionally, if our remedial measures are insufficient to address the material weaknesses, or if additional material weaknesses or significant deficiencies in our internal control over financial reporting are discovered or occur in the future, our consolidated financial statements may contain material misstatements and we could be required to restate our financial results. These events could have a material adverse effect on our operations, result in sanctions or investigations by regulatory authorities, or loss of investor, supplier and customer confidence in the reliability of our financial statements, which in turn could harm our business and negatively impact the trading price of our stock.

The volatility of the price of gold and silver could adversely affect our future operations and, if warranted, our ability to develop our properties. The profitability of our operations, the value of our properties and our ability to raise funding to conduct continued exploration and mine construction, if warranted, are directly related to the market price of gold, silver and other metals. The price of gold may also have a significant influence on the market price of our common stock. Our decision to put a mine into production and to commit the funds necessary for that purpose must be made long before the first revenue from production would be received. A decrease in the prices of gold and silver may prevent our properties from being economically mined or result in the write-off of assets whose value is impaired as a result of lower gold or silver prices. The volatility in gold and silver prices is illustrated by the following table, which sets forth for each of the past five calendar years, the average annual market prices in U.S. dollars per ounce of gold and silver as reported on the daily London P.M. fix:

Mineral	2009	2010	2011	2012	2013
Gold	\$ 972.00	\$ 1,225.00	\$ 1,572.00	\$ 1,669.00	\$ 1,225.00
Silver	\$ 14.67	\$ 20.19	\$ 35.12	\$ 31.15	\$ 19.61

The price of gold and silver is affected by numerous factors beyond our control, including inflation, fluctuation of the United States dollar and foreign currencies, global and regional demand, the sale of gold and silver by central banks, and the political and economic conditions of major gold and silver producing countries throughout the world and accordingly no amount of planning or technical expertise can fully eliminate these risks. In the event gold prices decline or remain low for prolonged periods of time, we might be unable to develop our properties, which may adversely affect our results of operations, financial performance and cash flows.

Table of Contents

We have incurred substantial losses in the past and may not continue to be profitable. During the fiscal years ended December 31, 2013, 2012 and 2011, we reported net income of \$0.1 million, \$33.7 million and \$58.4 million, respectively. We had an accumulated deficit of approximately \$5.8 million as of December 31, 2013. While we were profitable during the past three years, our margins have decreased on a year-over-year basis during that time, and there is no assurance that we will be profitable in the future. Unexpected interruptions in our mining business may cause us to incur losses or the revenue we generate from production may not be sufficient to fund continuing operations including exploration and mine construction costs. Our failure to generate future profits may adversely affect the price of our common stock and you may lose all or part of your investment.

We may require significant additional capital to fund our business plan. We may be required to expend significant funds to determine if mineralized material and/or proven or probable mineral reserves exist at any of our non-producing properties, to continue exploration and if warranted, develop our existing properties and to identify and acquire additional properties to diversify our property portfolio. We have spent and may be required to continue to expend significant amounts of capital for drilling, geological and geochemical analysis, assaying and feasibility studies with regard to the results of our exploration. Even if we do locate commercially mineable material or decide to put additional properties into production, we may be required to continue to develop the Arista underground mine, upgrade our milling facility at the *El Aguila* Project or construct new facilities.

Our ability to obtain necessary funding for these purposes, in turn, depends upon a number of factors, including our historical and prospective results of operations, the status of the national and worldwide economy, the price of gold, silver and other valuable metals and the costs associated with extracting them. In general, capital markets worldwide have been adversely affected by substantial losses by financial institutions in 2008, in turn caused by investments in asset-backed securities. The mining sector has also been negatively impacted by declining metal prices. We may not be successful in generating or obtaining the required financing, or if we can obtain such financing, such financing may not be on terms that are favorable to us. Failure to generate or obtain such additional financing could result in delay or indefinite postponement of further mining operations or exploration and construction and the possible partial or total loss of our potential interest in our properties.

Revenue from the sale of our metals concentrates may be adversely affected by loss or damage to the concentrate during shipment and storage at our buyer's facilities. We rely on third party transportation companies to transport the concentrate to our buyer's facilities for processing and further refining. The terms of our sales contract with the buyer require us to rely on assay results from samples of our concentrate that are obtained at the buyer's warehouse to determine the final sales value for our concentrates. Once the concentrate leaves our mill facility, we no longer have direct custody and control of these products. Theft or loss in transit or improper storage, fire, natural disasters, tampering or other unexpected events while at the buyer's location may lead to the loss of all or a portion of our concentrate products. We experienc