



ARIAN SILVER CORPORATION

Interim Consolidated Financial Statements

(Unaudited)

For the three and nine months ended 30 September 2014



NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of financial statements by an entity's auditor.

Arian Silver Corporation

Consolidated Statement of Comprehensive Income (Unaudited)

For the three and nine months ended 30 September 2014 and 2013

(tabular amounts expressed in thousands of US dollars unless otherwise stated)

	Note	3 months ended 30 September		9 months ended 30 September	
		2014 \$	2013 \$	2014 \$	2013 \$
(In thousands)					
Continuing operations					
Revenue		-	-	-	129
Cost of sales		(223)	(25)	(376)	(644)
Gross loss		(223)	(25)	(376)	(515)
Administrative expenses		(1,012)	856	(2,646)	(468)
Profit on derivative liability revaluation	7	17	-	52	-
Operating loss		(1,218)	831	(2,970)	(983)
Net investment loss		7	44	7	(46)
Loss for the period		(1,211)	875	(2,963)	(1,029)
Other comprehensive income					
Foreign exchange translation differences recognised directly in equity	5	(777)	503	(455)	395
Other comprehensive income for the period		(777)	503	(455)	395
Total comprehensive income for the period		(1,988)	1,378	(3,418)	(634)
Basic and diluted loss per share (\$/per share)		(0.04)	0.03	(0.09)	(0.03)

*The accompanying notes are an integral part of these consolidated financial statements.
These consolidated financial statements have been approved by the Company's directors.*

Arian Silver Corporation

Consolidated Statement of Financial Position (Unaudited)

At 30 September 2014 and 31 December 2013

(tabular amounts expressed in thousands of US dollars unless otherwise stated)

(In thousands)	Note	30 September 2014 \$	31 December 2013 \$
Assets			
Non-current assets			
Intangible assets	2	1,135	1,168
Property, plant and equipment	3	25,514	17,651
Total non-current assets		26,649	18,819
Current assets			
Trade and other receivables		1,746	1,326
Cash and cash equivalents		738	7,241
Inventories	4	1,219	980
Total current assets		3,703	9,547
Total assets		30,352	28,366
Shareholders' equity			
Share capital	5	51,685	51,514
Share-based payment reserve	5	7,643	8,001
Foreign exchange translation reserve	5	(1,421)	(966)
Retained loss	5	(45,356)	(42,765)
Total shareholders' equity		12,551	15,784
Current liabilities			
Trade and other payables		1,242	1,173
Convertible note	7	16,364	11,170
Derivative liability	7	-	52
Total current liabilities		17,606	12,395
Non-current liabilities			
Provision for mine closure	8	195	187
Total non-current liabilities		195	187
Total liabilities		17,800	12,582
Total shareholders' equity and liabilities		30,352	28,366

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Arian Silver Corporation

Consolidated Statement of Cash Flows (Unaudited)

At 30 September 2014 and 2013

(tabular amounts expressed in thousands of US dollars)

	Note	3 months ended 30 September		9 months ended 30 September	
		2014 \$	2013 \$	2014 \$	2013 \$
Cash flows from operating activities					
Loss before tax		(1,211)	890	(2,963)	(1,013)
Adjustments for:					
Depreciation and amortisation		13	20	33	43
Exchange Difference		(237)	(263)	32	(443)
Net investment income		5	(43)	7	46
Inventory write down		-	(41)	-	-
Fair value of derivative liability	7	(17)	(2,451)	(52)	(2,451)
Equity-settled share-based payment transactions		(85)	-	(372)	(60)
Cash before movements in working capital		(1,532)	(1,888)	(3,315)	(3,878)
Increase in trade and other receivables		(282)	43	(440)	191
Increase/(decrease) in trade and other payables		254	142	88	224
Increase in inventories		4	308	(255)	212
Cash used in operating activities		(1,556)	(1,395)	(3,922)	(3,251)
Cash flows from investing activities					
Interest received		10	6	15	11
Proceeds from disposal of investments		-	142	-	142
Acquisition of property, plant and equipment		(874)	(3,411)	(2,883)	(4,050)
Cash used in investing activities		(864)	(3,263)	(2,868)	(3,897)
Cash flows from financing activities					
Proceeds from issue of share capital		171	926	171	3,408
Proceeds from convertible note		-	12,159	-	12,159
Cash generated by financing activities		171	13,085	171	15,567
Net increase/(decrease) in cash and cash equivalents		(2,249)	8,427	(6,619)	8,419
Cash and cash equivalents at beginning		3,030	491	7,241	491
Effect of exchange rate fluctuations on cash held		(43)	335	116	343
Cash and cash equivalents at 30 September		738	9,253	738	9,253

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Arian Silver Corporation

Consolidated Statement of Changes in Equity (Unaudited)

At 30 September 2014 and 31 December 2013

(tabular amounts expressed in thousands of US dollars)

	Note	Share capital \$	Share based payment reserve \$	Foreign exchange translation reserve \$	Retained earnings \$	Total equity \$
Balance 31 December 2012		48,223	7,885	(1,570)	(41,535)	13,003
Loss for the period		-	-	-	(1,013)	(1,013)
Foreign exchange		-	-	395	-	395
Total comprehensive income		-	-	395	(1,013)	(618)
Shares issued for cash	5	3,495	-	-	-	3,495
Share issue costs	5	(87)	-	-	-	(87)
Lapse of share options	5	-	(381)	-	-	(381)
Fair value of share options	5	-	321	-	-	321
Balance 30 September 2013		51,631	7,825	(1,175)	(42,548)	15,733

	Note	Share capital \$	Share based payment reserve \$	Foreign exchange translation reserve \$	Retained earnings \$	Total equity \$
Balance 31 December 2013		51,514	8,001	(966)	(42,765)	15,784
Loss for the period		-	-	-	(1,053)	(1,053)
Foreign exchange		-	-	97	-	97
Total comprehensive income		-	-	97	(1,053)	(956)
Lapse of share options	5	-	(29)	-	29	-
Fair value of share options	5	-	14	-	-	14
Balance 31 March 2014		51,514	7,986	(869)	(43,789)	14,842
Loss for the period	5	-	-	-	(699)	(699)
Foreign exchange	5	-	-	225	-	225
Total comprehensive income		-	-	225	(699)	(474)
Lapse of share options	5	-	(258)	-	258	-
Balance 30 June 2014		51,514	7,728	(644)	(44,230)	14,368
Loss for the period	5	-	-	-	(1,211)	(1,211)
Foreign exchange	5	-	-	(777)	-	(777)
Total comprehensive income		-	-	(777)	(1,211)	(1,988)
Shares issued for cash	5	175	-	-	-	175
Share issue costs	5	(4)	-	-	-	(4)
Lapse of share options	5	-	(85)	-	85	-
Balance 30 September 2014		51,685	7,643	(1,421)	(45,356)	12,551

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Arian Silver Corporation

Notes to Consolidated Financial Statements (Unaudited)

For the three and nine months ended 30 September 2014 and 2013

(tabular amounts expressed in thousands of US dollars unless otherwise stated)

1. Basis of preparation, going concern and adequacy of project finance

These interim unaudited consolidated financial statements for Arian Silver Corporation (“ASC” or the “Company”) have been prepared in accordance with International Financial Reporting Standards.

ASC is a company domiciled in the British Virgin Islands. The consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the “Group”). The Group is primarily involved in the acquisition and development of mineral resource assets.

The accounting policies and methods of computation used in the preparation of the interim unaudited consolidated financial statements are the same as those described in the Company’s audited consolidated financial statements and notes thereto for the year ended 31 December 2013. In the opinion of the management, the interim unaudited consolidated financial statements include all adjustments considered necessary for fair and consistent presentation of financial statements. These interim unaudited consolidated financial statements should be read in conjunction with the Company’s audited financial statements and notes for the year ended 31 December 2013.

These consolidated financial statements are presented in United States dollars as the Company believes it to be the most appropriate and meaningful currency for investors. The functional currencies of the Company and its subsidiaries are pounds sterling and Mexican peso respectively.

The Financial Statements have been prepared on a going concern basis.

The directors regularly review cash flow forecasts to determine whether the Group has, or has access to, sufficient cash to meet future working capital requirements and other financial commitments, and to fund future expansion projects and business opportunities.

On 27 September 2012, the Group entered into a three year Standby Equity Distribution Agreement (“SEDA”) for up to £5m with YA Global Master SPV Ltd (“YA”), an investment fund managed by Yorkville Advisors Global LP. The SEDA entitles the Group to drawdown funds in exchange for the issue of shares at a price based on the Company’s market price. At 30 September 2014, £2.1m remained available to draw down against the SEDA facility. This facility expires in September 2015.

At 30 September 2014 the Group had a working capital deficiency of \$13.9m. Subsequent to the quarter-end, on 15 October 2014, the Company announced the execution of a \$32 million joint financing package with Quintana AGQ Holding Co. LLC (“Quintana”) and Quintana San José Streaming Co. LLC (“Quintana Streaming”), which is expected to complete the Group’s funding requirements for the development of the San José project and to enable the Group to achieve full-scale commercial production. For further information regarding the Quintana financing, please refer to Note 11 (*Subsequent Events*).

The directors currently believe the Group has adequate financial resources or access to such resources in order to continue to prepare the Company’s financial statements on a going concern basis.

2. Intangible assets – Deferred Exploration and Evaluation Costs

The Group’s deferred exploration and evaluation costs comprise costs directly incurred in exploration and evaluation as well as the cost of maintaining mineral licences. They are capitalised as intangible assets pending the determination of the feasibility of the project. When the decision is taken to develop a mine the related intangible assets are transferred to property, plant and equipment. Where a project is abandoned or is determined not economically viable, the related costs are written off.

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Notes to Consolidated Financial Statements (Unaudited)

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The recoverability of deferred exploration and evaluation costs is dependent upon a number of factors common to the natural resource sector. These include the extent to which the Group can establish economically recoverable reserves on its properties, the ability of the Group to obtain necessary financing to complete the development of such reserves and future profitable production or proceeds from the disposition thereof.

Intangible assets for the nine months ended 30 September 2014 and the year ended 31 December 2013 are detailed in the following table:

	2014	2013
	\$	\$
Opening balance 1 January	1,168	1,176
Foreign Exchange	(33)	(8)
Closing balance	1,135	1,168

The balances at 30 September 2014 and at 31 December 2013 relate entirely to deferred exploration and development costs.

3. Property, plant and equipment

The Group's property, plant and equipment incorporates: mine development costs, including appropriate deferred exploration and evaluation costs transferred on development of an exploration property; and costs incurred in the acquisition and development of the company's La Tesorera processing plant, which was formerly known as "El Bote processing plant"). Before reclassification, such costs are assessed for impairment, with any impairment recognised in profit or loss for the period.

All subsequent development costs are capitalised, including all costs incurred as commissioning costs. When the mine is capable of operating in the manner intended by management, the mining assets are amortised over the estimated life of the reserves on a unit of production basis.

Changes in property, plant and equipment for the nine months ended 30 September 2014 and the year ended 31 December 2013 are detailed in the following table:

	2014	2013
	\$	\$
Opening balance 1 January	17,651	10,405
Additions for the period	2,883	4,770
Interest capitalised	5,389	2,596
Depreciation and amortisation	(33)	(59)
Foreign Exchange	(376)	(61)
Closing balance	25,514	17,651

The mine development costs at 30 September 2014 of \$12.4 million (31 December 2013: \$11.3 million), relate to the 100% owned San José property in Zacatecas State, Mexico.

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Notes to Consolidated Financial Statements (Unaudited)

For the three and nine months ended 30 September 2014 and 2013

(tabular amounts expressed in thousands of US dollars unless otherwise stated)

3. Property, plant and equipment – Mine Development Costs (continued)

Plant and equipment includes \$13.1 million (31 December 2013: \$6.3 million) for La Tesorera Processing Plant, of which \$8.0 million (31 December 2013: \$2.6 million) relates to transactions costs and interest costs that have been capitalised.

Other property plant and equipment of \$0.1 million (31 December 2013: \$0.1 million) includes smaller fixed assets, fixtures and fittings and vehicles.

4. Inventories

Inventories comprise silver concentrate produced, ore stockpiles and consumables and are stated at the lower of cost and net realisable value. Silver concentrate produced and ore stockpiles are calculated on an average cost basis and include all costs directly incurred up to the relevant point of the process, such as mining costs, milling costs, transport, operating and administration costs. Net realisable value is determined with reference to market prices.

	2014	2013
	\$	\$
Consumables	29	22
Stockpiled ore	1,190	958
Closing balance 30 September	1,219	980

5. Share capital and reserves

The Company is authorised to issue an unlimited number of common shares of no par value.

Following the approval of shareholders on 29 August 2013, every 10 pre-consolidated common shares in the Company were consolidated into one post-consolidation common share of the Company, effective from the 3 September 2013.

Changes in share capital for the nine months ended 30 September 2014 and the year ended 31 December 2013 are as follows:

	2014		2013	
	Number of Shares '000	Amount \$	Number of Shares '000	Amount \$
Opening balance 1 January	33,366	51,514	30,490	48,223
Shares issued for cash	317	175	2,876	3,495
Share issue costs	-	(4)	-	(204)
Closing balance 30 September	33,683	51,685	33,366	51,514

Nine months ended 30 September 2014

- 316,790 common shares issued at £0.337763 per share to provide additional working capital of £107,000 in connection with the drawdown of the SEDA.

Year ended 31 December 2013

- 101,989 common shares issued at £1.42172 per share to provide additional working capital of £145,000 in connection with the drawdown of the SEDA.
- 165,780 common shares issued at £1.36326 per share to provide additional working capital of £226,000 in connection with the drawdown of the SEDA.
- 219,828 common shares issued at £1.3647 per share to provide additional working capital of £300,000 in connection with the drawdown of the SEDA.
- 182,102 common shares issued at £1.0258 per share to provide additional working capital of £186,800 in connection with the drawdown of the SEDA.
- 249,321 common shares issued at £1.050805 per share to provide additional working capital of £262,000 in connection with the drawdown of the SEDA.

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For the three and nine months ended 30 September 2014 and 2013

(tabular amounts expressed in thousands of US dollars unless otherwise stated)

5. Share capital and reserves (continued)

Year ended 31 December 2013 (continued)

- 440,316 common shares issued at £0.68133 per share to provide additional working capital of £300,000 in connection with the drawdown of the SEDA.
- 430,286 common shares issued at £0.50199 per share to provide additional working capital of £216,000 in connection with the drawdown of the SEDA.
- 321,656 common shares issued at £0.4045 per share to provide additional working capital of £130,110 in connection with the drawdown of the SEDA.
- 207,694 common shares issued at £0.46003 per share to provide additional working capital of £95,545 in connection with the drawdown of the SEDA.
- 557,063 common shares issued at £0.70004 per share to provide additional working capital of £389,967 in connection with the drawdown of the SEDA.

Share based payment reserve

The share based payment reserve arises on the grant of share options to directors, employees and other eligible persons under the share option plan.

A summary of the changes in the Group's contributed surplus for the nine months ended 30 September 2014 and the year ended 31 December 2013, is set out below:

	2014	2013
	\$	\$
Opening balance 1 January	8,001	7,885
Fair value of share options	14	497
Incentive stock options lapsed	(372)	(381)
Closing balance 30 September	7,643	8,001

Foreign exchange translation reserve

The translation reserve comprises both foreign exchange differences arising on the translation of amounts relating to overseas operations and the presentation of the financial statements in United States dollars.

A summary of the changes in the Group's foreign exchange translation reserve for the nine months ended 30 September 2014 and the year ended 31 December 2013, is set out below:

	2014	2013
	\$	\$
Opening balance 1 January	(966)	(1,570)
Movement in the period	(455)	604
Closing balance 30 September	(1,421)	(966)

Retained loss

Retained loss comprises accumulated losses in the current and prior years.

Incentive stock options

A summary of the Company's stock options as at 30 September 2014 is set out below:

Outstanding shares	Exercise price	Expiry
1,141,000	£4.925/C\$7.90	18 January 2016
70,000	£2.00/C\$3.2077	29 May 2017
795,000	£0.70/C\$1.09123	29 May 2018
50,000	£0.325/C\$0.57624	13 January 2019

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For the three and nine months ended 30 September 2014 and 2013

(tabular amounts expressed in thousands of US dollars unless otherwise stated)

5. Share capital and reserves (continued)

Incentive stock options (continued)

The number and weighted average exercise prices of share options for the nine months ended 30 September 2014 and the year ended 31 December 2013 are as follows:

	2014		2013	
	Outstanding 000's	Weighted average exercise price \$ per share	Outstanding 000's	Weighted average exercise price \$ per share
Opening balance 1 January	2,231	4.54	1,596	6.20
Lapsed	(50)	(1.10)	(210)	(2.60)
Issued	50	0.51	845	1.10
Lapsed	(45)	0.94	-	-
Lapsed	(130)	0.91	-	-
Closing balance 30 Sept.	2,056	5.14	2,231	4.54

6. Stock-based compensation

The share option programme allows Group directors, officers, employees and consultants to acquire shares of the Company. The fair value of options granted is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period until the options vest unconditionally. The fair value of the options granted is measured using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except if the change is due to market based conditions not being satisfied.

The fair value of stock options used to calculate compensation expense is estimated using the Black-Scholes option pricing model with the following assumptions:

	2014	2013
Risk free interest rate	1.84%	0.98%
Expected dividend yield	0%	0%
Expected stock price volatility	88%	93%
Expected option life in years	5 years	5 years

Pricing models require the input of highly subjective assumptions, including the expected price volatility. In the current period it was deemed that enough information on historic share prices was available to calculate the expected stock price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable single measure of the fair value of units granted by the Company.

The total expense relating to the fair value of the share options recognised in administrative expenses for the nine months ended 30 September 2014 was \$14,000 (30 September 2013: \$321,000).

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For the three and nine months ended 30 September 2014 and 2013

(tabular amounts expressed in thousands of US dollars unless otherwise stated)

7. Convertible note

	Convertible Note		Derivative Liability	
	2014 \$	2013 \$	2014 \$	2013 \$
Opening balance 1 January	11,170	-	52	-
Proceeds at issuance	-	15,585	-	-
Less interest pre-paid at issuance	-	(2,182)	-	-
Fair value derivative liability on recognition	-	(3,509)	-	3,509
Transaction costs capitalised on recognition	-	(1,320)	-	-
Loss/(profit) on fair value of derivative liability	-	-	(52)	(3,457)
Unwind effective interest	5,194	2,596	-	-
Closing balance 30 September	16,364	11,170	-	52

The convertible option of the Convertible Note has been treated as an embedded derivative because it does not meet the IFRS definition of equity. The liability and derivative liability components are presented separately in the Consolidated Statement of Financial Position starting from initial recognition. At initial recognition, the value of the liability component is based on the proceeds from the transaction less the fair value of the derivative liability. Subsequent to initial recognition, the liability component is measured at amortised cost using the effective interest method; the liability component is increased by accretion of the effective interest to reach the nominal value of the note plus premium payable on maturity.

On initial recognition, the fair value of the derivative liability is established using a Monte Carlo simulation. Subsequently, the derivative liability is fair valued at each reporting date and changes in the fair value are taken directly to the Statement of Comprehensive Income.

Transaction costs are distributed between the convertible note and derivative liability on a pro-rata basis of their carrying amounts on initial recognition.

8. Provision for mine closure

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by the development or on-going production of a mining property. Costs are estimated on the basis of a closure plan and are subject to regular review.

Such costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided and capitalised within mine development costs at the start of each project, as soon as the obligation to incur such cost arises. These decommissioning costs are charged against profits over the life of the mine, through depreciation of the asset and unwinding or amortisation of the discount on the provision. Depreciation is included in operating costs while the unwinding of the discount is included in financing costs. Changes in the measurement of a liability relating to the decommissioning of plant or other site preparation work are added to, or deducted from, the cost of the related asset in the current period.

Changes in mine closure provision for the nine months ended 30 September 2014 and the year ended 31 December 2013 are detailed in the following table:

	2014 \$	2013 \$
Opening balance 1 January	187	177
Unwinding of discount	8	10
Closing balance 30 September	195	187

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8. Provision for mine closure (continued)

The provision has been made to cover projected closure costs in the event that the operations at the San José mine are not prolonged beyond the initial mining period of approximately 4 years.

At 30 September 2014, closure costs are calculated to be \$206,000 (31 December 2013: \$206,000) at the end of the 4 years using a discount rate of 5% (31 December 2013: 5%). Closure activities include decommissioning, reclamation and rehabilitation.

9. Related party transactions

These unaudited interim consolidated financial statements include balances and transactions with directors and officers of the Company and/or corporations related to them. All transactions have been recorded at the exchange amount which is the consideration established and agreed to between the related parties. During the nine months ended 30 September 2014 and 2013 the Company entered into the following transactions involving related parties:

Transactions with key management personnel

The Dragon Group Ltd charged the Company a total of \$97,246 (30 September 2013: \$90,063) which relates to the reimbursement of Tony Williams' remuneration paid on behalf of the Company. Tony Williams, Chairman and a director of the Company, beneficially owns the Dragon Group. At 30 September 2014, \$10,511 (31 December 2013: \$10,672) was outstanding.

On 24 September 2013 the Company acquired an option for \$200,000 to conduct due diligence on Siberian Goldfields Ltd ("SGL") and its mineral properties, with a view to Arian undertaking a potential equity transaction or other corporate transaction or investment with SGL ("Transaction"). On 27 November 2013 Arian gave notice to SGL of its election not to proceed with a Transaction.

The option grant fee is repayable by SGL to Arian together with interest payable at a rate of 10% per annum in the event that Arian elects not to proceed with a Transaction. Interest accrued during the nine months ended 30 September 2014 amounts to \$15,000 (30 September 2013: \$nil). As at 30 September 2014, \$218,780 (31 December 2013: \$203,780) was owed to Arian by SGL.

Tony Williams is a director and shareholder of SGL.

Key management personnel participate in the Company's share option programme.

10. Segment reporting

The Group's reportable segments, which are those reported to the Board of Directors, are the operating business managed by the geographically based management teams responsible for their performance.

As at 30 September 2014, the operating segments included in internal reports are determined on the basis of their significance to the Group.

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10. Segment reporting (continued)

Segment information

	San José		All other segments		Total	
	30 Sept 2014	30 Sept 2013	30 Sept 2014	30 Sept 2013	30 Sept 2014	30 Sept 2013
	\$	\$	\$	\$	\$	\$
Revenue	-	129	-	-	-	129
Loss before tax	(376)	(515)	(2,587)	(514)	(2,963)	(1,029)
Capital Expenditure	1,470	804	1,414	3,246	2,883	4,050
Depreciation and amortisation	20	(40)	13	(3)	33	(43)

	San José		All other segments		Total	
	30 Sept 2014	31 Dec 2013	30 Sept 2014	31 Dec 2013	30 Sept 2014	31 Dec 2013
	\$	\$	\$	\$	\$	\$
Total assets	13,678	12,304	16,674	16,062	30,352	28,366
Total liabilities	195	187	17,605	12,395	17,800	12,582

All other segments include assets common to all projects.

Geographical information

	Mexico		UK		Total	
	30 Sept 2014	30 Sept 2013	30 Sept 2014	30 Sept 2013	30 Sept 2014	30 Sept 2013
	\$	\$	\$	\$	\$	\$
Revenue	-	129	-	-	-	129

	Mexico		UK		Total	
	30 Sept 2014	31 Dec 2013	30 Sept 2014	31 Dec 2013	30 Sept 2014	31 Dec 2013
	\$	\$	\$	\$	\$	\$
Non current assets excluding investments	23,066	15,448	3,583	3,371	26,649	18,819

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11. Subsequent events

Quintana \$32m financing

Following the extension of the Platinum Note on 30 September 2014, the Group announced on 15 October 2014, the execution of a \$32 million joint financing package with Quintana and Quintana Streaming as part of which, Quintana purchased and cancelled the Platinum Note, subscribed for a US\$16,452,343, 8% coupon, senior secured convertible note (the "New Note"), entered into a \$15,635,750 base metals purchase agreement ("BMPA"), and received warrants over 12,151,926 Common shares in the Company, exercisable at C\$1.00 per Common share, until 29 October 2017.

Under the terms of the BMPA, 78.2% of lead and zinc produced at the San José project will be delivered to Quintana Streaming as finished metal until the delivery hurdles of 37,783,112 pounds, in the case of lead, and 32,057,308 pounds in the case of zinc, have been met; thereafter, 27.4% of production of each base metal will be delivered to Quintana Streaming. Quintana Streaming will pay the lesser of market price or \$0.25 per pound of lead or zinc (as applicable) until the delivery hurdles have been met, and \$0.375 per pound thereafter.

Upon reimbursement of the upfront payment through the delivery and sale of finished metals, Quintana Streaming will pay an additional 45% of the amount, if any, by which the market price of lead or zinc exceeds \$1.10 per pound of commodity purchased.

The BMPA has a 50 year term, which can be extended for 10 years at a time, at the discretion of Quintana. The Group has the right to buy-back 50% of Quintana Streaming's rights to the San José base metal production within a 3 year period for \$10.6 million.

The principal amount of the New Note is convertible at any time at the option of Quintana for Common shares at a price equal to C\$0.7567 per share (converted into US\$ on the business day prior to the time of such conversion) and matures on 29 October 2017.

Under the terms of the BMPA, funds will be advanced to the Company upon the achievement of certain operational milestones. Should the Company fail to meet one or more of the milestones, it would not receive the full amount of funds that would otherwise be expected from Quintana.

The Company entered into an investment agreement with Quintana under which Quintana was granted certain anti-dilution rights, scalable rights to nominate directors to Arian Silver's board of directors, the right to receive certain information based upon the percentage of the total number of outstanding Common shares and securities convertible into Common shares on an as-converted basis held by Quintana and its affiliates, and certain registration rights. It also requires the passing of a shareholders resolution by 31 March 2015 to authorise the creation of Quintana as a Control Person under the rules of the Toronto Venture Stock Exchange. In the event the resolution is not passed by 31 March 2015, the Company will be in default of the agreement with Quintana and the principal amount of the Note remaining unpaid together with accrued but unpaid interest thereon would become immediately due and payable upon demand.

SEDA Drawdown

On the 9 October 2014 the Company announced that it had drawn down £60,265 from its SEDA with YA. Under the terms of the SEDA, the Company allotted 224,653 Common shares to YA (see Note 1 for further information).