



Arian Silver Corporation

Annual Report 2017

For the year ended 31 December 2017

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Forward looking statements

Certain information in this annual report may constitute a forward-looking statement. Forward-looking statements are frequently characterised by words such as “plan”, “expect”, “forecast”, “project”, “intend”, “believe”, “anticipate”, “expect”, “budget”, “scheduled”, “outlook” and other similar words or statements that certain events or conditions “may” or “will” occur.

Forward-looking statements are not guarantees of future performance. Rather, they are based on current opinions and estimates of management and involve known and unknown risks, uncertainties, and other factors that may cause actual results to differ from any future results or developments expressed or implied from each forward-looking statement. Each forward-looking statement is expressed only as at the date on which it is made and the Company undertakes no obligation to update forward-looking statements if circumstances or management’s estimates or opinions should change, other than as required by securities laws. The reader is cautioned not to place undue reliance on forward-looking statements.

Chairman's statement

Those of you who read the Company's announcement on 10 May 2018 will be aware that I was invited to join the Board as its Chairman upon the retirement of both Tony Williams and Jim Williams.

Although I was not incumbent during the year on which we are reporting, it is always helpful to look back at the past year to provide context for my thoughts as to the Company's future direction, which I am sure will be of interest to all shareholders, and also to those who might be considering investing.

During the early part of 2017, the Company undertook an evaluation of its existing portfolio of silver projects in Mexico, from which respectable grades of silver, lead and zinc were reported.

Towards the middle and end of last year, the Company invested its time in examining the Noche Buena gold and silver tailings project and several lithium projects in the state of Zacatecas, Mexico. These projects were judged to be uneconomic at that time, and thus were not advanced; no suitable projects have been identified since then and the Company has been considering its options as a result.

Upon my appointment to the Board, we raised approximately £600,000 to secure the Company's immediate financial future. These funds are backed by some experienced and highly successful mining professionals who see a future for Arian Silver, which I see as encouraging.

Looking to the present, I have two clear agendas. Firstly, we need to minimise expenditure wherever practicable to sustain the Company's resources. Secondly, we need to embark on an exploration programme to restore the Company to a position of possessing delineated mineral resources. At this moment in time, and providing the economics support this ambition, I am open to the advancement of one or more of the Company's existing silver projects, whilst simultaneously looking for suitable acquisition targets either in Mexico or other jurisdictions with an established mining community, stable political background, and where we can be assured of strong operational control.

We are fortunate to be able to add the support of a strong network within the mining community, which I believe will stand us in very good stead for advancing the prospects of this Company.

I look forward to reporting our progress to you during the remainder of this year, and into 2019.



Dennis Edmonds
Executive Chairman

Business overview

Strategy and business model

Arian's objective is to create a portfolio of mining projects in jurisdictions with an established mining community, stable political background, and where strong operational controls can be assured.

The group has operated in Mexico for over ten years during which time it has established long-term relationships with local government, communities, and key stakeholders. Arian's geological experts assess and identify projects for potential mineralisation. Wherever possible, the projects are acquired on a low-cost option basis whilst preliminary exploration is undertaken to assess the merits of further work.

Where preliminary studies evidence sufficient mineralisation, increasingly comprehensive studies will be undertaken with a view to delineating a compliant mineral resource estimate in readiness of potential sale of the asset to a producing mining company, at which time a significant premium over its acquisition and development cost may be justified.

Financial highlights

All dollar amounts in this annual report and financial statements are US dollars, unless stated otherwise.

As at 31 December 2017, the Group had total assets of \$1.5 million (2016: \$1.3 million) of which \$0.9 million (2016: \$0.4 million) was cash. The Group had total liabilities of \$0.1 million (2016: \$0.1 million) of which \$0.1 million were current liabilities (2016: \$0.1 million).

In the year ended 2017 the Group made an operating loss of \$1.4 million (2016: \$1.6 million) and a loss per share of \$0.01 (2016: \$0.01).

Overview of operations

During 2017, the Group completed its initial high level exploration programme over its portfolio of silver mining concessions covering an area of over approximately 1,500 hectares, to develop and direct future exploration work.

Silver properties

As at 31 December 2017, the Company held 12 fully owned mining concessions split between four distinct project areas:

San Celso project

The 88 hectare San Celso project is located in the historic mining district of Pánfilo Natera-Ojocaliente and is surrounded by other concessions to the south and west. It encompasses two veins: the San Celso and Las Cristinitas veins. Work carried out during

2017 resulted in the surface extension of these veins of 800 metres. Samples taken to date have evidenced grades of up to 395g/t Ag, 13,700ppm Pb, and 13,900ppm Zn.

Los Campos project

The Los Campos project comprises four concessions covering an area of approximately 500 hectares and is located on the south side of the city of Zacatecas. The property encompasses at least two known veins: the Los Campos vein and the San Rafael vein, and is easily accessible 15-minutes' drive from the centre of the City of Zacatecas.

The Los Campos vein system has been developed along a strike distance of 3.3km and to depths exceeding 100m. Our geological mapping and sampling discovered additional veins running either parallel or nearly parallel to the Los Campos vein.

La Africana project

The La Africana project is a strategically located project covering approximately 15 hectares, 3 kilometres south west of Pánfilo Natera. The project encompasses a past-producing mine and work carried out on the project evidences significant zones of high-grade silver mineralisation over respectable widths.

Calicanto project

On 1 August 2016 the Company announced its Mexican subsidiary, Compañía Minera Estrella De Plata SA de CV, had executed a binding agreement with Minera Oro Silver de Mexico SA de CV ("Minera Oro Silver"), a subsidiary of Endeavour Silver Corporation, to sell the Group's 75 hectare Calicanto Project for US\$400,000. The amount due from the sale was shown in the consolidated statement of financial position as an asset held for sale in the year ended 31 December 2016.

The transaction was completed in 2017, including receipt of funds and ratification of the assignment agreement in respect of the relevant mineral concessions.

Other silver mining concessions

Arian Silver holds three additional concessions not otherwise grouped into project groupings, covering almost 900 hectares. These concessions were acquired in 2006 because of their strategic position to the San Celso project. These concessions too require further exploratory work to fully assess their economic potential.

Lithium properties

In early 2017, the Company acquired options over three potential lithium projects and carried out preliminary exploration which evidenced the presence of lithium at each of the project areas. However, the directors concluded the projects were unlikely to be commercially viable and their value has been expensed.

Future outlook

Following the retirement of the Company's executive directors, Jim Williams and Tony Williams in May 2018, and the appointment of Dennis Edmonds as Executive Chairman, the Company has benefited from fresh leadership, a new perspective, and the

financial support of experienced mining professionals through the injection of additional cash resources in May 2018.

The directors are taking action to reduce the Company's expenditures and to identify and acquire small but scalable projects in jurisdictions with stable governments, and in commodities considered to have strong futures, both in the short-to-medium, and long term.

Subject to any decision to further explore the existing silver projects or to acquire any additional projects, the Company will seek to delineate compliant mineral resources.

Governance

Corporate governance statement

Maintaining the highest standards of corporate governance in the context of the stage, size and complexity of any company, together with robust systems of internal control are fundamental building blocks for any business. Accordingly, the Company has sought to comply and adhere to the Main Principles of the UK Corporate Governance Code published by the Financial Reporting Council (the “Code”). The directors have therefore put in place appropriate governance structures, policies and procedures, and make training available to all directors. All directors have access to the services of the Company Secretary. The main principles of the Code cover leadership, effectiveness, accountability, remuneration and relations with shareholders.

The QCA published a new edition of the QCA Corporate Governance Code in April 2018, which the Board intends to adopt before 28 September 2018.

Board of directors

The Board of Directors is responsible for overseeing the long term success and strategic direction of the Company in accordance with the schedule of matters reserved for board decision and it responsible for monitoring the activities of the executive management.

Executive chairman

D.V. Edmonds
(appointed 15 May 2018)

Skills and experience

Dennis Edmonds practiced as a corporate solicitor in the Republic of South Africa and in England and has extensive experience of corporate acquisitions and restructurings. Mr Edmonds was later employed at board level in the investment banking and venture capital industries and his experience includes structuring deals and running companies.

Roles on Board committees

None

Non-executive director

C. C. Gordon
(appointed 15 May 2018)

Skills and experience

Chris Gordon has a Bachelor of Economics degree awarded by the University of London and over 10 years’ experience in the financial services sector in London, working in dealing and trading roles with a focus on raising capital for listed companies. Chris Gordon previously acted as a non-executive director for Gunsynd plc which is listed on AIM.

Roles on Board committees

None

Non-executive director

T. A. Bailey

Skills and experience

Tom Bailey qualified as a solicitor in 1975 and worked as an in-house lawyer for a number of years with Citibank and Chase Manhattan before returning to private practice to establish a law firm which ultimately became one of the top 500 law firms in London. Mr Bailey was the senior partner of his firm specialising in commercial law. Mr Bailey has for a number of years carried out consultancy work for various companies.

Roles on Board committees

Member: Audit Committee member
Chairman: Corporate Governance Committee
Chairman: Nomination & Remuneration Committee

Non-executive director

J. S. Cable

Skills and experience

James Cable has been a chartered accountant for over 35 years and has extensive experience at board level in various companies. He has significant international and commercial experience gained in the Middle East, Africa, Far East and Europe in several business sectors including natural resources and construction. He is a former Finance Director of Kopane Diamond Developments Plc and Mantle Diamonds Ltd and he advises natural resources companies on corporate strategy and project finance and is a director of Emeraldfields Limited and Blue Lias Technologies plc.

Roles on Board committees

Chairman: Audit Committee
Member: Corporate Governance Committee
Member: Health, Safety & Environment Committee
Member: Nomination & Remuneration Committee

Non-executive director

J. A Crombie

Skills and experience

Mr Crombie is a mining engineer with over 30 years of broadly based experience in the mining industry. Mr Crombie has held several senior executive positions with various mining companies, including Hope Bay Gold Corporation, Palmarejo Silver & Gold Corporation until its merger with Coeur d'Alene Mines, and was a mining analyst and investment banker with Shepards, Merrill Lynch, James Capel & Co. and Yorkton Securities. Mr Crombie is also currently an officer or director or both of a number of publicly-traded resource companies. He graduated from the Royal School of Mines, London, with a Bachelor of Science (Hons).

Roles on Board committees

Member: Audit Committee
Member: Health, Safety & Environment Committee
Member: Nomination & Remuneration Committee

Executive Chairman

A. J. Williams
(resigned 15 May 2018)

Skills and experience

Tony Williams has over 40 years' experience in the international mining industry, having been involved in projects in the Americas, Australia, Africa and Europe and the former Soviet Union. Mr Williams co-founded Arian Silver and has held a number of directorships in public and private companies engaged principally in mining finance and mineral exploration.

Roles on Board committees up to date of resignation

None

Chief Executive Officer

J. T. Williams
(resigned 15 May 2018)

Skills and experience

Jim Williams is a professional geologist with over 30 years' experience in exploration, development and mining, evaluation and management. Prior to co-founding Arian Silver, Mr Williams was a director of two US companies, one of which was operational in Zacatecas State, Mexico. Mr Williams holds BSc, MSc and D.I.C. degrees in Geology, Geo-mechanics, mineral exploration and evaluation. In addition Mr Williams is a Fellow of the Institute of Mining, Metallurgy and Materials (FIMMM), a Chartered Engineer (CEng), Chartered Geologist (CGeol), European Engineer (Eur Ing) and European Geologist (Eur Geol) and is therefore a "Competent Person" under the rules of the London Stock Exchange and a "Qualified Person" under the rules of the Toronto Stock Exchange.

Mr Williams has published work including a diamond policy study review in Sierra Leone on behalf of the UK government, and has worked as an expert witness for a leading London-based law firm.

Roles on Board committees up to date of resignation

Member: Health, Safety & Environment Committee

All directors are required to allocate sufficient time to the Company to discharge their responsibilities effectively and the Board meets frequently throughout the year.

Throughout 2017 and until May 2018 (when Mr J. Williams retired as Chief Executive), there had been a clear division of responsibilities between the Chairman and the Chief Executive. The Chairman was responsible for the leadership of the Board and ensuring its effectiveness on all aspects of its role. The Chief Executive was responsible for the performance of the Company, together with the Chairman. Following Mr J. Williams's retirement, as the Company has no active operations, the Board determined the cost of hiring a replacement was not warranted at that time. This matter will be kept under review.

At least half the Board, excluding the Chairman, comprises independent non-executive directors who provide a balance of skills and experience, and who are responsible for providing constructive challenge to and assistance in, developing proposals on strategy.

Although Messrs Bailey, Cable and Crombie each has a tenure in excess of nine years, the Board considers each of them to be independent in character and judgement and they are each therefore deemed independent. All the non-executive directors participate in the Company's share option plan; the extent of their participation is not considered to impact their independence.

The Board keeps under review the need for the appointment of a Senior Independent Director. To date, it is considered that such appointment affords no additional benefit to the effectiveness of the Board. The Company Secretary is available as a sounding board for the Chairman and as an intermediary for the other directors, if necessary. The Company Secretary is also available to liaise with shareholders as a matter of course.

The Company has a schedule of matters reserved for its own decision, an executive committee comprising exclusively executive directors or officers, and two committees comprised entirely of non-executive directors: the Audit Committee and the Nomination & Remuneration Committee. From May 2018, the executive committee had only one member and is therefore not expected to meet until such time as its terms of reference are updated or additional members are appointed.

Each committee has formally delegated responsibilities by way of terms of reference.

The performance of the Board, committees and individual directors are evaluated on a regular basis.

Appointment and removal of directors

The powers of the directors of the Company are determined by its Articles of Association and British Virgin Islands ("BVI") legislation, each of which contain rules about the appointment and replacement of directors. They provide that subject to certain conditions, directors may be appointed by an ordinary resolution of the members or by a resolution of the directors, provided that, in the latter instance, a Director appointed in this way retires at the first AGM following his or her appointment.

The Company's Articles of Association also provide that directors should normally be subject to re-election at the AGM at intervals of three years although directors may volunteer to stand for re-election annually.

A director may cease to be a director:

- By special resolution of the members approved by 75% of the shareholders entitled to vote
- By resolution of the directors
- If he resigns
- If he ceases to meet the eligibility requirements under the BVI Companies Act.

Conflicts of interest

All Directors have duties under the BVI Business Companies Act to act with care, diligence and skill, in the best interests of the Company.

Certain directors and officers of the Company also serve as directors and/or officers of, or have investments in other companies involved in mineral exploration and development and consequently there is the potential for conflicts of interest.

In the event a conflict of interest should arise, each individual so conflicted is required to disclose the conflict in accordance with the Company's Articles of Association in order that it can be considered and approved if appropriate. No director may vote on any matter in which he or she may be deemed to be interested.

On an ongoing basis, the directors are responsible for informing the Company Secretary of any new actual or potential conflicts that may arise or if there are any changes in circumstances that may affect an authorisation

previously given. Even when provided with authorisation, a director is not absolved from his or her statutory duties.

Board Committees

The Board of Directors has four standing committees:

- Audit Committee
- Nomination & Remuneration Committee
- Corporate Governance Committee
- Health, Safety & Environment Committee

The Company Secretary is Secretary to each Committee and attends all meetings.

The Board considers that each of the Committees has an appropriate balance of skills, experience, independence and knowledge of the Company to enable them to discharge their respective duties and responsibilities effectively.

Audit Committee

The Audit Committee meets at appropriate times in the reporting and audit cycle, and otherwise as required. It is responsible for nominating the external auditor recommending to the Board the auditor's compensation, overseeing the work of the auditor, and approving any proposals for non-audit services. The Audit Committee is also responsible for reviewing public announcements relating to the Company's profit or loss or cash flow, satisfying itself of the adequacy of procedures for the release of financial information, and ensuring the maintenance of appropriate and proportionate procedures for addressing matters relating to accounting, internal financial controls and auditing matters.

It is the Board of Directors' conclusion that each of the members of the Audit Committee has an understanding of the accounting principles used by the Company to prepare its financial statements, the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves, and experience in evaluating financial statements that present a breadth and level of complexity of accounting issues generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements.

The Audit Committee is currently composed of three members, being Messrs James S. Cable, Thomas A. Bailey, and James A. Crombie, each of whom is an independent non-executive director and each of whom is deemed financially literate. Mr Cable serves as Chairman of the Audit Committee.

Nomination & Remuneration Committee

The Nomination & Remuneration Committee meets at least once each year, and otherwise as required. It is responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise, having due regard for the structure, size and composition of the Board together with the skills, knowledge, experience and diversity of both the Board and the individual. Additionally, the Nomination & Remuneration Committee is responsible for reviewing the results of any board effectiveness review that relates to the composition of the board.

The scale and structure of the remuneration and compensation packages for the directors is set taking into account time commitment, comparatives, and risks and responsibilities, to ensure that the amount of compensation adequately reflects the individual's previous performance, achievements, experience, responsibilities and the risks of the office or position held, and in the context of the Company's risk profile, to ensure they do not encourage excessive risk taking.

The Nomination & Remuneration Committee is currently composed of three members, being Messrs Thomas A. Bailey, James S. Cable and James A. Crombie, each of whom is an independent non-executive director.

Mr Bailey serves as Chairman of the Nomination & Remuneration Committee.

Corporate Governance Committee

The Corporate Governance Committee was established in March 2015 and was intended to meet at least once each year, and otherwise as required. The Corporate Governance Committee is responsible for reviewing the corporate governance framework for the Company, its implementation, and compliance, and making suitable recommendations to the Board. There were no matters requiring the Corporate Governance Committee to meet during the year ended 31 December 2017.

The Corporate Governance Committee is currently composed of two members, being Messrs Tom Bailey and James Cable. Mr Bailey serves as Chairman of the Corporate Governance Committee.

Health, Safety & Environment (“HSE”) Committee

The HSE Committee was established in March 2015 and was intended to meet at least once each year, and otherwise as required. The HSE Committee is responsible for reviewing the health, safety and environmental policies of the group, performance in its adherence thereto, and adequacy of relevant resources. There were no matters requiring the HSE Committee to meet during the year ended 31 December 2017.

As at 31 December 2017, the HSE Committee was composed of three members, being Messrs Jim Williams, James Cable and Jim Crombie. Mr J Williams resigned on 15 May 2018, from which date the members were Messrs Cable and Crombie.

Board assessments

Based upon the Company's size, its current state of development and the number of individuals historically on the Board of Directors, the Board of Directors has considered a formal process for assessing regularly the effectiveness and contribution of the Board of Directors, as a whole, its committee or individual directors to be unnecessary. The Board of Directors plans to continue evaluating its own effectiveness on an ad hoc basis.

Relations with shareholders

The directors encourage major shareholders to engage with the Chairman or Chief Executive in discussing strategy and governance. The Chairman or Chief Executive reports to the Board as a whole, on the views of major shareholders.

All investors are encouraged and welcomed at the Company's annual general meeting, at which there is opportunity to pose questions to the directors.

Major shareholders

As at 18 June 2018 being the latest practicable date, the Company had been notified of the following companies or individuals interested 3% or more of the Company's shares:

Shareholder	No. shares	%
King Dragon (Far East) Limited	120,000,000	17.10
Jim Williams	27,900,000	3.98
Roderick McIlree	24,000,000	3.42

Directors' remuneration

Overview

The Company's policy is to set remuneration to attract and retain the highest quality of directors and senior executives, and to:

- align their interests with shareholders',
- avoid incentivising excessive risk taking by executives,
- be proportionate to the contribution of the individuals concerned, and
- be sensitive to pay and employment conditions elsewhere in the group.

The Board of Directors has established a Nomination & Remuneration Committee.

The Nomination & Remuneration Committee meets as required each year to review the performance of the executive directors and to determine their respective compensation. The scale and structure of the remuneration and compensation packages of directors is set taking into account time commitment, comparatives, risks and responsibilities, to ensure that the amount of compensation adequately reflects the individual's previous performance, achievements, experience, responsibilities and risks of the office or position held, and in the context of the Company's risk profile, to ensure they do not encourage excessive risk taking on the part of the recipient of such compensation.

The Company is at an early stage of development. As a result, the use of traditional performance standards, such as corporate profitability, is not considered by the Nomination & Remuneration Committee to be appropriate in the evaluation of corporate or directors' performance. Discretionary bonuses may be paid to aid staff retention and reward performance.

The members of the Nomination & Remuneration Committee have the necessary experience of executive compensation matters relevant to their responsibilities as members of such a committee by virtue of their respective professions, contacts within the minerals industry as well as experience in the broader business community. In addition, each member of the Nomination & Remuneration Committee keeps abreast on a regular basis of trends and developments affecting executive compensation. Accordingly, it is considered that the Nomination & Remuneration Committee has sufficient experience and knowledge to set appropriate levels of compensation. Neither the Company nor the Nomination & Remuneration Committee engaged independent consultants to evaluate the levels of compensation during the year ended 31 December 2017.

The recommendations of the Nomination & Remuneration Committee are submitted to the independent members of the Board of Directors for consideration and approval.

The Company provides executive directors with base salaries which represent their minimum compensation for services rendered during the financial year. The base salaries of directors and senior executives depend on the scope of their experience, responsibilities, and performance. A description of the material terms of each director's contract is provided under "Terms of Directors' Employment, Termination and Change of Control Benefits" below.

The Nomination & Remuneration Committee has considered the risk implications of the Company's compensation policies and practices and has concluded that there is no appreciable risk associated with such policies and practices since such policies and practices do not have the potential of encouraging an executive officer or other applicable individual to take on any undue risk or to otherwise expose the Company to inappropriate or excessive risks. Furthermore, although the Company does not have in place any specific prohibitions preventing executives from purchasing financial instruments, including prepaid variable forward contracts, equity swaps, collars, or units of exchange funds that are designed to hedge or offset a decrease in market value of options or other equity securities of the Company granted in compensation or held directly or indirectly, by the director, the Company is unaware of the purchase of any such financial instruments by any director.

The Company does not anticipate making any significant changes to its compensation policies and practices during 2018.

Share Option Plan and Option-Based Awards

The Company currently has two discretionary share option plans: an Unapproved option plan as amended and restated, effective as of 1 December 2006 (the "Unapproved Plan"), and the EMI share option plan ("Approved Plan") which was adopted by the Board on 3 February 2017, and which provides for the award of share options under HMRC's approved Enterprise Management Incentive scheme, the Company Share Option Plan, as well as Unapproved share options.

The Unapproved Plan was established to encourage ownership of the Common Shares of the Company by directors, officers, employees of the Company and its subsidiaries, and other service providers responsible for

the management and profitable growth of the Company's business and to advance the interests of the Company by providing additional incentive for such persons and to enable the Company and its subsidiaries to attract and retain valued directors, officers, employees and other service providers. In February 2017, the Board resolved that no further options would be granted under the Unapproved Plan and succeeded it with the Approved Plan.

Historically, options were allocated as approved by the Board of Directors on the recommendation of the Nomination & Remuneration Committee. Option awards were reviewed periodically and took into account previous option grants, changes in executive positions and overall contribution to the Company.

The Approved Plan provides that the maximum number of shares which may be reserved and set aside for issue under it, is 10% of the Company's issued share capital at the date of grant. The aggregate number of shares which may be reserved for issuance to any one person under the Share Option Plan and which are subject to outstanding options granted under a prior plan, must not exceed 5% of the issued shares (determined at the date the option was granted), in a 12 month period.

Summary Compensation Table

The following table sets forth the compensation awarded, paid to or earned by each director during 2017, rounded to the nearest US\$1,000.

All figures in US\$	2017			2016		
	Base Salary / Fees	Option based awards	Total	Base Salary / Fees	Option based awards	Total
A. J. Williams <i>Executive Chairman</i>	116,000	17,000	133,000	121,000	-	121,000
J. T Williams <i>Chief Executive</i>	283,000	17,000	300,000	296,000	-	296,000
T. A Bailey <i>Non-Executive Director</i>	32,000	3,000	35,000	34,000	-	34,000
J. S. Cable <i>Non-Executive Director</i>	32,000	3,000	35,000	34,000	-	34,000
J. A. Crombie <i>Non-Executive Director</i>	32,000	3,000	35,000	34,000	-	34,000

Notes:

- (1) Salaries are paid in pounds sterling and translated to US dollars based on the average £:\$ foreign exchange rate for each respective year (2017: 1.2882; 2016: 1.3444).
- (2) The fair value of options granted is calculated using the Black-Scholes model as this model is widely accepted as an industry standard and is considered to provide the best estimation of value.
- (3) During the year ended 31 December 2016, \$64,364 (£47,875) of wages and salaries was satisfied by the issue of 4,787,493 Common shares in the Company.

Outstanding Option-based Awards

The following table sets out all stock options outstanding at 31 December 2017 for each of the Company's directors.

Name	Number of securities underlying unexercised options	Option exercise price	Option expiration date	Value of unexercised in-the-money options (\$) ⁽¹⁾
A. J. Williams ⁽²⁾	200,000	£0.700	29 May 2018	-
	2,500,000	£0.01	2 February 2022	-
J. T Williams ⁽²⁾	200,000	£0.700	29 May 2018	-
	2,500,000	£0.01	2 February 2022	-
T. A. Bailey	25,000	£0.700	29 May 2018	-
	500,000	£0.01	9 February 2022	-
J. A. Cable	25,000	£0.700	29 May 2018	-
	500,000	£0.01	9 February 2022	-
J. S. Crombie	25,000	£0.700	29 May 2018	-
	500,000	£0.01	9 February 2022	-

Notes:

- (1) The value of unexercised in-the-money options is calculated by using the closing share price on AIM on 31 December 2017 of £0.0022 less the exercise price of the in-the-money stock options, and using the foreign exchange rates as at 31 December 2017 of £:\$ 1.34912.
- (2) All options held lapsed unexercised on 15 May 2018.

Principal risks and uncertainties

The financing, exploration, development and mining of any of the Company's properties is subject to a number of factors including the price of silver, gold, lead and zinc, laws and regulations, political conditions, currency fluctuations, environmental regulations, hiring and retaining qualified people and obtaining necessary services in jurisdictions where the Company operates.

The Board periodically carries out robust assessments of the principal risks facing the Company including those that would threaten its business model, future performance, solvency or liquidity. Additionally, the Board monitors the effectiveness of the Company's risk management and internal control systems.

The following is a brief discussion of those distinctive or special characteristics of the Company's operations and industry which may have a material impact, or constitute risk factors in respect of the Company's future financial performance.

Key risks	Description of risk	Mitigating factors
Strategic risks		
Exploration and development and future acquisitions	<p>The Company's operations are subject to all of the hazards and risks incidental to exploration, development, and the production of minerals, including damage to life or property, environmental damage and legal liability for damage, which could have a material adverse impact on the business and its financial performance.</p> <p>The Company intends to acquire additional mining concessions in Mexico or elsewhere in the world.</p> <p>The Company may be unable to obtain suitable mining concessions at competitive prices.</p> <p>Any exploration programme entails risks relating to the location of economic ore bodies, the development of appropriate metallurgical processes, the receipt of necessary governmental permits and the construction of mining and processing facilities.</p> <p>In the event that Company's silver concessions are deemed by management not to warrant further exploration and the Company is unsuccessful in acquiring suitable new projects, the Company will have no exploration or development projects to pursue.</p>	<p>Our mineral concessions are evaluated carefully by qualified geologists, and independent advisors are engaged as and when appropriate.</p> <p>The management team has significant experience operating in Mexico.</p>
No reserves or resources	<p>The Company does not hold any concessions in respect of which reserves or resource estimates have been established that comply with Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Standards and Guidelines or other similar recognised industry standards.</p> <p>No assurance can be given that any exploration programme will result in any new commercial mining operation or in the discovery of new resources.</p>	<p>The Company has had significant success in the past at delineating mineral resources in accordance with both "JORC" and NI 43-101.</p>

Key risks	Description of risk	Mitigating factors
Strategic risks		
Mineral concessions and titles risks	<p>In relation to mining concessions over which the Company holds legal rights, if the Company fails to fulfil the specific terms of any of its concessions or operates in the concession areas in a manner that violates Mexican law, regulators may impose fines, suspend or revoke the concessions, any of which could have a material adverse effect on the Company's operations and proposed operations.</p> <p>Ownership of the mineral concessions has been transferred from the Company's former operating subsidiary Arian Silver de Mexico SA de CV ("ASM") to its new operating subsidiary, Compañía Minera Estrella de Plata SA de CV ("CMEP"). Whilst the Company has previously received legal opinions in respect of title of ASM to its properties there is no guarantee that title to such properties will not be challenged or impugned by third parties. The Company's concessions could be subject to prior unregistered agreements, transfers or other claims and title could be affected by unidentified or unknown defects or government actions. A formal legal opinion has not been obtained as to the legal title of CMEP to the mineral concessions.</p>	<p>The mineral concessions have been held by the Company's former operating subsidiary ASM for several years without legal challenge.</p> <p>The applications to re-register the Company's mineral concessions in the name of CMEP have been submitted and no contest or objection has been received.</p> <p>Prior to entering into agreements relating to mineral concessions, formal searches and reviews of legal documentation are conducted to provide evidence of the legal owner.</p> <p>The sale of the Calicanto project was successful following a comprehensive due diligence programme.</p>

Key risks	Description of risk	Mitigating factors
Financial risks		
Requirement of additional financing	<p>Failure to obtain sufficient financing for any projects would result in a delay or indefinite postponement of exploration, development or production on properties covered by the Company's concessions or even the loss of a concession.</p> <p>Additional financing might not be available when needed, or if available, the terms of such financing might not be favourable to the Company and could involve substantial dilution to shareholders. In the absence of adequate funding or cost reductions, the Company may not be able to continue as a going concern.</p>	<p>The Company has an experienced board and management team with significant experience in financing mining activities.</p> <p>The Company has been successful in raising funds in the past and it is our intention to raise additional funds in future to support the ongoing development of the business.</p>
Liquidity risk	<p>The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at 31 December 2017, the Company had cash of \$876k to settle accounts payable of \$65k. The Company's accounts payable have contractual maturities of less than 30 days and are subject to normal trade terms. In the short-term, liabilities will be funded by cash.</p> <p>Although the Company has been successful in the past in raising equity finance, there can be no assurance that the funding required by the Group will be made available to it when needed or, if such funding were to be available, that it would be offered on reasonable terms. The terms of such financing might not be favourable to the Group and might involve substantial dilution to existing shareholders.</p>	<p>It is expected that the Company will raise sufficient funds from investors to fund its future growth, exploration, development, and operating costs.</p>

Key risks	Description of risk	Mitigating factors
Financial risks		
Capital management risk	The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern and have access to adequate funding for its exploration and development projects, so that it can provide returns for shareholders and benefits for other stakeholders. The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets.	In order to maintain or adjust the capital structure the Group may issue new shares, acquire debt, or sell assets. Management regularly reviews cash flow forecasts to determine whether the Group has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities.
Price risk	The price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments in the market.	The Company does not currently have any financial instruments in issue other than share options and warrants. The Company does not hedge its exposure to price risk.
Foreign currency risk	The Company's exploration expenditure is made in Mexican pesos or US dollars and head office expenses are predominantly made in the UK in pounds sterling. The Company is therefore exposed to the movement in exchange rates for these currencies. At the year end the majority of the Company's cash resources were held in GBP. The Company therefore also has downside exposure to any weakening of pound sterling against the US dollar as this would increase expenses in US dollar terms and accelerate the depletion of the Company's cash resources. Any strengthening of pound sterling or the Mexican peso against the US dollar would, however, result in a reduction in expenses in US dollar terms and preserve the Company's cash resources. In addition, any movements in pounds sterling or Mexican peso would affect the presentation of the consolidated statement of financial position when the net assets of the Mexican subsidiary and parent company in the UK are translated from their functional currencies into US dollars.	The Company does not currently hedge foreign exchange risk. There is not considered to be any material exposure in respect of other monetary assets and liabilities of the Group.
Credit risk	The Company's credit risk is primarily attributable to cash and the financial stability of the institutions holding it. The Group's maximum exposure to credit risk is attributable to cash. The credit risk on cash is limited because the Group invests its cash in deposits with well capitalised financial institutions with strong credit ratings.	The Company invests its cash in deposits with well-capitalised financial institutions with strong credit ratings.
Investment risk	The Company may from time to time hold shares in other mining companies, such as SGL UK. There is not always a liquid market for the shares in companies such as SGL UK companies and so it may not always be possible to sell such shares at the optimum time or price.	The Company has previously been successful in realising value from investments.

Key risks	Description of risk	Mitigating factors
External risks		
Metals prices	<p>The Company's ability to obtain further financing will depend in part on the price of silver and the industry's perception of its future price. The Company's resources and financial results of operations will also be affected by fluctuations in metal prices over which the Company has no control. A reduction in the metal prices could prevent the Company's properties from being economically mined or result in curtailment of existing production activities or result in the impairment and write-off of assets.</p> <p>The price of silver, which is affected by numerous factors including inflation levels, fluctuations in the US dollar and other currencies, supply and demand and political and economic conditions, could have a significant influence on the market price of the Company's common shares.</p>	<p>It is an accepted risk that the Company's performance will be impacted by the price of metals.</p> <p>The Board and management believe the price of precious metals in particular, will increase in the long term.</p> <p>The Company does not hedge its exposure to metals prices.</p>

Key risks	Description of risk	Mitigating factors
Operational risks		
Reliance on contractors	The Company relies on contractors to implement exploration and development programmes. The failure of a contractor or key service provider to perform properly its services to the Company could delay or inconvenience the Company's operations, and have a materially adverse effect on the Company.	The Company has operated in Zacatecas in Mexico, for several years and has well-established and trusted relationships with various contractors.
Key personnel	The Company's business is dependent on retaining the services of a small number of key personnel of the appropriate calibre as the business develops. The Company has entered into employment agreements with certain key managers. The success of the Company is, and will continue to be to a significant extent, dependent on the expertise and experience of the directors and senior management. The loss of one or more of these individuals could have a materially adverse effect on the Company. The Company does not currently have any insurance in place with respect to key personnel.	The Board has established a Nomination & Remuneration Committee which is responsible for considering succession planning and ensuring remuneration is sufficient to attract and retain staff of a the necessary calibre.

Key risks	Description of risk	Mitigating factors
Operational risks		
Environmental factors	<p>The Company's operations are subject to environmental regulation in the jurisdictions in which it operates. Such regulation covers a wide variety of matters including, without limitation, prevention of waste, pollution and protection of the environment, labour regulations and health and safety. The Company might also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances, which might exist on or under any of the properties covered by its concessions, or which might be produced as a result of its operations.</p> <p>If the Company does not comply with environmental regulations or does not file environmental impact statements in relation to each of its concessions, it might be subject to penalties, its operations might be suspended, closed and/or its concessions may be revoked.</p> <p>Environmental legislation and permit requirements are likely to evolve in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors and employees.</p> <p>The Company's activities could be subject to prolonged disruptions due to weather conditions depending on the location of operations in which the Company has interests.</p>	<p>The Company has an experienced board and management team with an awareness and knowledge of these types of risk.</p> <p>Concessions are evaluated carefully prior to their acquisition for environmental risks and consultants are engaged to advise on specific risks when appropriate.</p> <p>The Company has an excellent track record on environmental matters.</p>
Political risk	<p>The Company is conducting its exploration activities in the Mexico. The Company may be adversely affected by changes in economic, political, judicial, administrative or other regulatory factors such as taxation in Mexico, where the Company operates and holds its major assets. Mexico may have a more volatile political environment and/or more challenging trading conditions than in some other parts of the world. There is no assurance that future political and economic conditions in Mexico will not result in the government of Mexico adopting different policies in respect of foreign development and ownership of mineral resources. Any such changes in policy may result in changes in laws affecting ownership of assets, taxation, rates of exchange, environmental protection, labour relations, and repatriation of income and return of capital. These changes may affect both the Company's ability to undertake exploration and development activities in respect of future properties in the manner currently contemplated, as well as its ability to continue to explore and develop those properties, in respect of which it has obtained exploration and development rights to date.</p>	<p>The directors believe the government of Mexico supports the development of natural resources by foreign operators.</p>

Key risks	Description of risk	Mitigating factors
Operational risks		
Payment obligations	Under the mineral property concessions and certain other contractual agreements to which a member of the Group is, or may in the future become, a party, any such company is, or may become, subject to payment and other obligations. If such obligations are not complied with when due, in addition to any other remedies which may be available to other parties, this could result in dilution or forfeiture of interests held by such companies.	The directors have in place a system of internal controls to ensure any payment obligations are complied with.
Regulatory approvals	The operations of the Company require approvals, licenses and permits from various regulatory authorities, governmental and otherwise. There can be no guarantee that the Company will be able to obtain or maintain all necessary approvals, licenses and permits that may be required to explore and develop its various projects and/or commence construction or operation of mining facilities that economically justify the cost.	The Board has significant experience in operating in Mexico and believes that the Company holds or will obtain all necessary approvals, licenses and permits under applicable laws and regulations in respect of its current projects.
Competition	The Company competes with numerous other companies and individuals in the search for and acquisition of mineral claims, leases and other mineral interests, as well as for the recruitment and retention of qualified employees. There is significant competition for the silver and other precious metals opportunities available and, as a result, the Company may be unable to acquire further mineral concessions on terms it considers acceptable.	The Company, its Board and management team have significant experience in mining operations in Mexico. Through its experience and relationships in Mexico, counterparties may consider the Company to have lower transaction risk than its competitors.
Conflicts of interest	Certain directors and officers of the Company also serve as directors and/or officers of other companies involved in mineral exploration and development and consequently there is the potential for conflicts of interest. The Company expects that any such director or officer shall disclose such interest in accordance with its articles of association or his contractual obligations to the Company and any decision made by any of such directors and officers involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders.	<p>The Company's Articles of Association have been adopted by shareholders and any conflicts of interest are dealt with in accordance with the rules set out therein.</p> <p>In the event of a conflict of interests, the conflicted director shall not vote on the relevant matter.</p>

Financial statements

Directors responsibilities statement

The directors are responsible for preparing the annual report and financial statements and have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards in order to give a true and fair view of the state of affairs of the Group and of its profit or loss for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors are responsible for keeping records that are sufficient to show and explain the Company's transactions and will, at any time, enable the financial position of the Company to be determined with reasonable accuracy. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the British Virgin Islands governing the preparation and dissemination of the Company's financial statements and other information included in the annual reports may differ from legislation in other jurisdictions.

Independent Auditor's Report to the members of Arian Silver Corporation

Opinion

We have audited the financial statements of Arian Silver Corporation (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2017 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the IASB.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2017 and of the Group's loss for the year then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2c to the financial statements concerning the Group's ability to continue as a going concern. The Group requires additional funding in order to meet its planned exploration programmes and recurring expenditure. There are no binding agreements in place at this time and there is no certainty that the funding required by the Group will be secured within the necessary timescale. These conditions together with the other matters referred to in note 2c indicate the existence of a material uncertainty, which may cast significant doubt over the Group's ability to continue as a going concern. These financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern. Our opinion is not modified in respect of this matter.

We considered going concern to be a Key Audit Matter based on our assessment of the risk and the effect on our audit. We performed the following work in response to this Key Audit Matter:

- We critically challenged the Directors' forecasts to assess the Group's ability to meet their obligations within the period of twelve months from the date of approval of the financial statements by reviewing the assumptions and inputs in the cashflow forecast to assess whether these were in line with our understanding of the Group's operations and other information obtained by us during the course of the audit.
- We corroborated the opening cash position by reference to bank statements.
- We compared the forecast expenditure by reference to actual expenditures in 2017 and Director's budgeted expenditure in 2018. We confirmed that contractually committed amounts were included.
- We performed a mechanical check on the cashflow forecast model prepared by Director's
- We evaluated the adequacy of disclosures made within the financial statements.

Key audit matters

In addition to the matter described in the material uncertainty related to going concern section, key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of Exploration Assets (note 2D, 3E & 9)

The exploration assets form a significant part of the Group's Statement of Financial Position and are the focus of the future activity. These relate to exploration licence acquisition costs and subsequent capitalised exploration expenditure incurred on the Group's licences.

Directors are required to consider if there are any facts or circumstances that would suggest that the exploration costs would not be recoverable in accordance with IFRS. Potential factors may include any changes in the regulatory environment surrounding the licences, adverse changes in commodity prices, relinquishment or termination of licences, the results of exploration works indicating non-commercial levels of reserves etc. The existence of any such indicators would require Directors to perform a full impairment review of the assets.

Any such assessment involves judgement and use of a number of estimates. Given that the exploration assets represent a significant asset of the Group and a high degree of subjectivity involved, we considered this to be a key audit matter.

Our response

We performed the following work in response to this Key Audit Matter:

- Reviewed Management's assessment of whether there are any impairments indicators under IFRS. In so doing, we have confirmed to other sources of information such as RNS reports, budgets and licence summaries, in order to challenge Management's assessment of the carrying value of intangible assets and whether any potential indicators of impairment exist.
- Confirmed the existence of the licences and compliance with terms as well as minimum working programme requirements;
- Confirmed that future expenditure is budgeted for and that Management intends to proceed with further exploration and evaluation work on all remaining licenses.
- Evaluated the adequacy of disclosures made within the financial statements.

Valuation of available for sale financial assets (note 2D, 3H & 18)

The Group holds a small percentage holding in Siberian Goldfields Limited, an unlisted entity that holds an exploration licence in Russia. Under the requirements of IFRS, this financial asset should be fair valued unless the range of possible fair value estimates is too broad and the probabilities of the various valuations cannot be reasonably assessed when holding at cost is permitted under IAS39.

Given the number of estimates within the valuations and the lack of readily observable market price, this was considered to be a key audit matter.

Our response

We performed the following work in response to this Key Audit Matter:

- Corroborated the shareholding and percentage ownership held to statutory information;
- Assessed the methodologies applied by management in determining their estimates of fair values of the equity investment;
- Confirmed post year end share issue by Siberian Goldfields Limited to unrelated third party for a similar sized shareholding that is indicative of fair value at year end;
- Confirmed through discussion with management and review of press releases that there are no further events post year end that would impact fair value at year end; and
- Evaluated the adequacy of disclosures made within the financial statements.

Our application of materiality

Group materiality	\$26,750 (2016: \$30,000)
Basis for determining group materiality	2% of total assets
Group performance materiality	\$17,500 (2016: \$23,000)
Basis for determining performance materiality	65% of Group materiality (2016: 75%)
Component materiality	\$25,500 (2016: \$28,500)
Basis for determining component materiality	2% of total assets, capped at 95 of Group materiality
Component company performance materiality	\$16,500 (2016: \$21,375)
Basis for determining component performance materiality	65% of component materiality (2016: 75%)

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial

statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Materiality for the financial statements as a whole was set at \$26,750, being 2% of total assets. We consider total assets to be the most relevant consideration of the Group's financial performance as the Group continues to focus on building its asset base.

In performing the audit, we applied a lower level of performance materiality in order to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds financial statement materiality. Performance materiality for the Group financial statements was set at \$17,500, being 65% of financial statement materiality. In setting the level of performance materiality we considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors), the amount of areas of estimation within the financial statements and the type of audit testing to be completed.

Each significant component of the Group including the parent company was audited using a lower level of performance materiality of \$25,500 being 95% of Group materiality.

We agreed with the Audit Committee that we would report to the Committee all individual audit differences identified during the course of our audit in excess of \$1,000 (2016: \$1,000). We also agreed to report differences below these thresholds that, in our view warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our Group audit scope focused on the Group's principal operating locations being the Arian Silver Corporation (parent company) registered in the British Virgin Islands and Compania Minera Estrella de Plata SA de CV located in Mexico which are subject to a full scope audit. Together with the Group consolidation, which was also subject to a full scope audit, these represent the significant components of the Group.

The remaining components of the Group are either dormant or considered non-significant. The non-significant component was principally subject to analytical review procedures, together with additional substantive testing over the risk areas detailed above where applicable to that component. Our full audit procedures cover substantially 100% of the Group's total assets.

The audits of each of the components were principally performed in the United Kingdom. All of the audits were conducted by BDO LLP.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 20, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in

accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of report

This report is made solely to the parent company's members, as a body, in accordance with the terms of our engagement letter dated 13 April 2018. Our audit work has been undertaken so that we might state to the parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP
Chartered Accountants
London
25 June 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of comprehensive income For the year ended 31 December 2017

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

	Note	2017	2016
Continuing operations			
Other administrative expenses		(1,423)	(1,366)
Impairment of available for sale investments	18	(129)	-
Impairment of exploration assets	9	-	(202)
Total administrative expenditure		(1,552)	(1,568)
Operating loss	4	(1,552)	(1,568)
Net investment income	6	4	20
Loss for the year before taxation		(1,548)	(1,548)
Tax	7	-	-
Loss for the year attributable to equity shareholders of the parent		(1,548)	(1,548)
Other comprehensive income that may be recycled to profit or loss			
Foreign exchange translation differences recognised directly in equity		113	(263)
Other comprehensive income for the year		113	(263)
Total comprehensive income for the year attributable to equity shareholders of the parent		(1,435)	(1,811)
Basic and diluted loss per share (\$/share)	8	(0.01)	(0.01)

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of financial position As at 31 December 2017

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

	Note	2017	2016
Assets			
Available-for-sale financial assets	18	143	-
Intangible assets	9	236	173
Property, plant and equipment	10	6	7
Total non-current assets		385	180
Trade and other receivables	12	57	309
Cash and cash equivalents	13	876	416
Total current assets		933	725
Assets held for sale	11	-	400
Total assets		1,318	1,305
Equity attributable to equity shareholders of the parent			
Share capital	14	52,965	52,396
Warrant reserve	14	2,166	1,333
Share-based payment reserve	14	1,389	1,417
Foreign exchange translation reserve	14	1,941	1,828
Retained earnings		(57,228)	(55,764)
Total equity		1,233	1,210
Liabilities			
Trade and other payables	16	85	95
Total current liabilities		85	95
Total liabilities		85	95
Total equity and liabilities		1,318	1,305

The financial statements were approved and authorised for issue by the Board of Directors on 25 June 2018 and were signed on its behalf by:



Dennis Edmonds
Chairman

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2017

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

	Note	2017	2016
Cash flows from operating activities			
Loss before tax from continuing operations		(1,548)	(1,548)
Adjustments for non-cash items:			
Depreciation	10	4	3
Exchange difference		47	(69)
Net interest receivable	6	(6)	(20)
Impairment of intangible assets	9	-	202
Impairment of available for sale investments	18	129	-
Loss on discontinuing operations		-	-
Equity-settled share-based payment transactions		56	-
Decrease/(increase) in trade and other receivables	12	22	(48)
(Decrease)/Increase in trade and other payables	16	(20)	(433)
Cash used in operating activities		(1,316)	(1,913)
Cash flows from investing activities			
Interest received		1	1
Proceeds from Quintana for working capital		-	50
Proceeds from sale of asset held for sale	11	400	-
Purchase of intangible assets	9	(22)	(84)
Acquisition of property, plant and equipment	10	(2)	(7)
Cash used in investing activities		377	(40)
Cash flows from financing activities			
Proceeds from issue of share capital and warrants	14	1,558	2,157
Issue costs	14	(156)	(209)
Cash from financing activities		1,402	1,948
Net increase / (decrease) in cash and cash equivalents		463	(5)
Cash and cash equivalents at 1 January		416	474
Effect of exchange rate fluctuations on cash held		(3)	(53)
Cash and cash equivalents at 31 December	13	876	416

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity For the year ended 31 December 2017

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

	Share capital	Warrant reserve	Share based payment reserve	Foreign exchange translation reserve	Retained earnings	Total
Balance: 31 December 2015	51,781	3,455	7,701	2,091	(63,955)	1,073
Loss for the year	-	-	-	-	(1,548)	(1,548)
Foreign exchange	-	-	-	(263)	-	(263)
Total comprehensive income	-	-	-	(263)	(1,548)	(1,811)
Shares issued for cash	824	1,333	-	-	-	2,157
Share issue costs	(209)	-	-	-	-	(209)
Lapse of share options	-	-	(6,284)	-	6,284	-
Cancellation of warrants	-	(3,455)	-	-	3,455	-
Balance: 31 December 2016	52,396	1,333	1,417	1,828	(55,764)	1,210
Loss for the year	-	-	-	-	(1,548)	(1,548)
Foreign exchange	-	-	-	113	-	113
Total comprehensive income	-	-	-	113	(1,548)	(1,435)
Shares and warrants issued for cash	725	833	-	-	-	1,558
Share issue costs	(156)	-	-	-	-	(156)
Lapse of share options	-	-	(84)	-	84	-
Share options issued	-	-	56	-	-	56
Balance: 31 December 2017	52,965	2,166	1,389	1,941	(57,228)	1,233

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2017

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

1. Reporting entity

Arian Silver Corporation (the “Company”) is a company incorporated in the British Virgin Islands. The consolidated financial statements for the year ended 31 December 2017 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.

2. Basis of preparation

(A) Statement of compliance

The consolidated financial statements for the year ended 31 December 2017 have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board.

The Group has adopted all of the new and revised Standards and Interpretations that are relevant to its operations and effective for accounting periods beginning 1 January 2017. The adoption of these new and revised Standards and Interpretations had no material effect on the profit or loss or financial position of the Group. The Group has not adopted any standards or interpretations in advance of the required implementation dates.

The accounts were approved by the board and authorised for issue on 25 June 2018.

(B) Future standards and possible effects

	Issued Date	IASB mandatory effective date ¹
New Standards and interpretations		
IFRS 9 Financial Instruments	Various	01-Jan-18
IFRS 15 Revenue from contracts with customers	28-May-14	01-Jan-18
Clarifications to IFRS 15 Revenue from contracts with customers	12-Apr-16	01-Jan-18
Amendments to IFRS 15: Effective date of IFRS 15	15-Sep-15	01-Jan-18
IFRS 16 Leases	13-Jan-16	01-Jan-19
IFRIC 23 Uncertainty over Income Tax Treatments*	07-Jun-17	01-Jan-19
Amendments to Existing Standards		
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	20-Jun-16	01-Jan-18
Annual Improvements to IFRSs (2014-2016 Cycle)	08-Dec-16	01-Jan-17 and 01-Jan-18
IFRIC 22 Foreign Currency Transactions and Advance Consideration	08-Dec-16	01-Jan-18
Annual improvements to IFRSs (2015-2017 Cycle)*	12-Dec-17	01-Jan-19
Amendments to References to the conceptual framework in IFRSs*	29-Mar-18	01-Jan-20

¹ Periods beginning unless noted otherwise.

* Not yet endorsed for use in the EU at the time these accounts were authorised for issue.

The application of the above standards in the future financial statements is not expected to have a material impact on the financial statements.

IFRS 9 introduces significant changes to the classification and measurement requirements for financial instruments. The effect of IFRS 9 adoption is not expected to have a material impact.

IFRS 15 Revenue from Contracts with Customers - the Group is at the exploration stage and is pre-revenue hence the adoption would have no impact on the reported results.

Adoption of IFRS 16 will result in the Group recognising right of use of assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the group does not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment, where material. Since the Group currently only has short term (less than 12 months) operating leases, IFRS 16 will not have a material impact on the results or balance sheet of the Group.

Notes to the consolidated financial statements

For the year ended 31 December 2017

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

2. Basis of preparation (*continued*)

(C) Going concern

The directors regularly review cash flow forecasts to determine whether the Group has sufficient cash reserves to meet future working capital requirements and discretionary business development opportunities including exploration activities.

The Group's assets are at an early stage and in order to meet financing requirements for their development the Company has raised funds by way of several discrete share placements, which is a common practice for junior mineral exploration companies. In addition to the private placings during 2017, the Company successfully raised gross proceeds of £602,000 (US\$815,000 based on an exchange rate of 1.3538) in May 2018. Please refer to note 20 for further details.

The directors believe that the Group will be able to raise additional funds to continue with any future acquisitions or exploration programmes and to meet recurring expenditure and therefore consider it appropriate to prepare the Group's financial statements on a going concern basis.

Although the Company has been successful in the past in raising finance, there can be no assurance that the funding required by the Group will be made available to it when needed or, if such funding were to be available, that it would be offered on reasonable terms. The terms of such financing might not be favourable to the Group and might involve substantial dilution to existing shareholders. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

(D) Use of estimates and judgement

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about such judgements and estimates are contained in the accounting policies and/or the notes to the consolidated financial statements. Areas of judgement that have the most significant effect on the amounts recognised in the consolidated financial statements:

- **Going concern**
Management regularly review cash flow forecasts to determine whether the Group has sufficient cash reserves to meet future working capital requirements and discretionary business development opportunities including exploration activities. This judgement is based on Management's assumptions for the development of its assets and corresponding estimated expenditure, and the expectation of raising additional funds to progress such further exploration and development during the year. For further information please refer to note 2(c).
- **Impairment of exploration and evaluation costs - Notes 3(E), 9**
Determination as to whether, and by how much, an asset or cash generating unit is impaired involves management estimates. Management uses the following triggers to assess whether impairment has occurred (the list is not exhaustive):
 - the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
 - substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
 - exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
 - sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full on successful development or by sale.

Notes to the consolidated financial statements

For the year ended 31 December 2017

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

2. Basis of preparation (*continued*)

(D) Use of estimates and judgement (*continued*)

- ***Impairment of exploration and evaluation costs - Notes 3(E), 9 (*continued*)***

As at 31 December 2017, it was considered that none of the impairment triggers had arisen and the assets were being evaluated for future potential exploration.

In any such case, or similar cases, the Group will measure, present and disclose any resulting impairment loss in accordance with IAS 36. For further information please refer to notes 3(E) and 9.

- ***Estimation of share-based payment costs***

The Group estimates the fair value of share-based payments using the Black-Scholes model taking into account the terms and conditions upon which the share-based payment was granted. For further information please refer to notes 3 (q) and 15

- ***Valuation of available for sale investments***

The Group measures available for sale financial assets at fair value. Management determine the appropriate valuation techniques and inputs for fair value measurement. In estimating the fair value, the Group uses market-observable data to the extent it is available. For further information please refer to notes 3(H), and 18.

(E) Functional and presentation currency

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

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

(A) Basis of consolidation

(i) ***Subsidiaries***

An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control is obtained up to the date that control ceases.

(ii) ***Transactions eliminated on consolidation***

Intra-group balances and any unrealised gains, losses, income or expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(B) Foreign Currency

(i) ***Foreign currency transactions***

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the date of the consolidated statement of financial position are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

Notes to the consolidated financial statements

For the year ended 31 December 2017

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

3. Significant accounting policies (*continued*)

(B) Foreign Currency (*continued*)

(ii) *Financial statements of operations*

The assets and liabilities of operations, including goodwill and fair value adjustments arising on consolidation, are translated to United States dollars at exchange rates ruling at the date of the consolidated statement of financial position. The revenues and expenses of operations are translated to United States dollars at rates approximating to the exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income. They are reclassified to profit or loss upon disposal.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal.

(C) Income tax expense

Income tax expense comprises current and deferred tax.

Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. Deferred tax is not recognised for the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries that will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(D) Loss per share

The Group presents basic and diluted loss per share (“LPS”) data for its common shares. Basic LPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted LPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive common shares, which comprise warrants, share options and conversion of the loan note into shares.

Notes to the consolidated financial statements

For the year ended 31 December 2017

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

3. Significant accounting policies (*continued*)

(E) Intangible assets

(i) *Deferred exploration and evaluation costs*

These comprise costs directly incurred in exploration and evaluation as well as the cost of mineral licences. Costs which are capitalised include costs of licence acquisition, technical services and studies, exploration drilling and testing and appropriate technical and administrative expenses but do not include general administrative expenses or costs incurred prior to having obtained the legal rights to explore an area, which are expensed directly to the income statement account as they occur. 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 and the exploration and evaluation costs are amortised over the estimated life of the project. Where a project is abandoned or is determined not economically viable, the related costs are written off.

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 Company can establish mineral reserves on its properties, the ability of the Company to obtain necessary financing to complete the development of such reserves and future profitable production or proceeds from the disposition thereof.

(F) Property, plant and equipment

(i) *Depreciation*

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows:

- office equipment: 3 to 10 years
- fixtures and fittings: 3 to 10 years
- plant and equipment: 5 to 10 years
- motor vehicles: 4 years

The residual value, if not insignificant, is reassessed annually. Assets under construction are not depreciated.

(G) Impairment of non-financial assets

The carrying amounts of the Group's assets are reviewed at the date of each consolidated statement of financial position to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Impairment is measured by comparing the carrying values of the asset with its recoverable amount. The recoverable amount of the asset is the higher of the assets' fair value less costs to sell and its value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in the income statement immediately.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at its revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(H) Financial instruments

(i) *Loans and receivables*

Loans and receivables that are short term in nature are initially recognised at cost less any impairment provision. They are valued at fair value less any derivative component and transaction costs on initial recognition. They are subsequently valued at amortised cost using the effective interest rate method. Gains and losses are recognised through profit or loss when the loans and receivables are derecognised.

Notes to the consolidated financial statements

For the year ended 31 December 2017

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

3. Significant accounting policies (*continued*)

(H) Financial instruments (*continued*)

(ii) *Available for sale investments*

Non-derivative financial assets not included in the above category are classified as available for sale and comprise principally the Group's strategic investments in entities not qualifying for subsidiaries, associates or jointly controlled entities. They are carried at fair value, where this can be reliably measured, with movements in fair value recognised in other comprehensive income and debited or credited to the available for sale investments reserve unless there is objective evidence that the investment is impaired in which case any downward revaluation is recorded in profit or loss.

Where the fair value cannot be reliably measured, the investment is carried at cost or a lower valuation where the Directors consider the value of the investment to be impaired. Available for sale investments are included within non-current assets. On disposal, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had previously been recognised directly in reserves is recognised in the income statement.

Income from available for sale investments is accounted for in the income statement when the right to receive it has been established.

(iii) *Financial liabilities measured at amortised cost*

Financial liabilities measured at amortised cost include current borrowings and trade and other payables that are short term in nature. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

(iv) *Fair value measurement*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Notes to the consolidated financial statements

For the year ended 31 December 2017

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

3. Significant accounting policies (*continued*)

(H) Financial instruments (*continued*)

(iv) *Fair value measurement (continued)*

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(v) *Impairment of financial assets*

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period as to whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

An impairment loss in respect of loans and receivables financial assets is recognised in income statement and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(I) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than continuing use. This is the case when the asset is available for immediate sale in its present condition and the sale is highly probable.

Non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell.

A sale is considered to be highly probable if the appropriate level of management is committed to a plan to sell the asset and the active plan to complete the sale has been initiated, the sale has been actively marketed at a price that is reasonable in relation to its fair value and the sale is expected to qualify for recognition as a completed sale within one year from the date it is classified as held for sale.

(J) Warrants

The Company estimates the fair value of the future liability relating to issued warrants using the Black-Scholes pricing model taking into account the terms and conditions upon which the warrants were issued.

Warrants relating to equity finance are recorded as a reduction of capital stock based on the fair value of the warrants.

(K) Share capital - common shares

Incremental costs directly attributable to the issue of common shares and share options are recognised as a deduction from equity.

Notes to the consolidated financial statements

For the year ended 31 December 2017

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

3. Significant accounting policies (continued)

(L) Share-based payment transactions

The share option programme allows Group directors, officers, employees and consultants to acquire shares of the Company. Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date and are recognised as an expense with a corresponding increase in equity. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Directors' estimate of equity instruments that will eventually vest, with a corresponding increase in equity. Where the conditions are non-vesting, the expense and equity reserve arising from share-based payment transactions is recognised in full immediately on grant.

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.

4. Operating loss

Operating loss is stated after charging:

	2017	2016
Depreciation and amortisation	4	3
Exchange (gain)/ loss	47	(69)
Exploration costs	101	54

In accordance with IFRS 8 'Operating Segments', an operating segment is defined as a business activity whose operating results are reviewed by the chief operating decision maker ('CODM') and for which discrete information is available. The Group's CODM is the Board of Directors. The Group only has one reporting segment being its corporate activities whilst it seeks out opportunities to expand its portfolio. The Group's income, costs, assets, liabilities and cash flows are therefore totally attributable to its one segment so no IFRS 8 disclosures have been given.

Auditors remuneration

	2017	2016
Fees payable to the Group's auditor for the audit of the annual financial statements	47	37
Fees payable to the Group's auditor for other services:		
Taxation	-	8
Other	-	1
Total	47	46

5. Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	2017	2016
Finance and administration	6	6
Technical	-	-
Total staff numbers	6	6

The aggregate staff costs of these persons were as follows:

	2017	2016
Wages and salaries	650	708
Social security costs	74	87
Share based payments	-	-
Total staff costs	724	795

During the year ended 31 December 2017 no wages or salaries were satisfied by the issue of shares in the Company (31 December 2016: \$64,364 (£47,875) of wages and salaries was satisfied by the issue of 4,787,493 Common shares in the Company).

Notes to the consolidated financial statements

For the year ended 31 December 2017

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

5. Staff numbers and costs (continued)

Remuneration of key management personnel

Key management personnel remuneration is detailed below:

	2017	2016
	Salary/Fees	Salary/Fees
Executive directors		
A J Williams	116	121
J T Williams	283	296
Non-executive directors		
T A Bailey	32	34
J S Cable	32	34
J A Crombie	32	34
Other key management		
Company Secretary	155	161
Total remuneration	650	680

The above remuneration excludes social security costs incurred by the Group. Including these social security costs, the total short-term employee benefits for the year in respect of key management personnel amounted to \$724,000 (2016: \$762,000).

Wages and salaries

	2017	2016
Paid directly	585	680
Paid via related party consultancy companies	65	141
Share based payment charge	56	-
Total	706	821

Share based payment charges relate to the fair value charge attributed to share options granted, further details are disclosed in note 15.

6. Net investment income

	2017	2016
Finance charges	(2)	(4)
Interest income	6	24
Total net investment income	4	20

7. Income tax recognised in the income statement

	2017	2016
Current tax	-	-

Reconciliation of effective tax rate

	2017	2016
Loss before tax	(1,548)	(1,548)
Income tax using the domestic corporation tax rate of 19.25% (2016: 20.00%)	(298)	(310)
Non-deductible expenses	27	69
Effect of timing differences	11	-
Depreciation in excess of capital allowances	-	1
Adjustments relating to different tax rates of subsidiary	(21)	-
Tax losses carried forward	281	240
Total tax expense/(credit)	-	-

At the year end the Group had tax losses to carry forward of approximately \$23,367,000 (2016: \$21,900,000).

Under IFRS a net deferred tax asset of approximately \$4,440,000 (2016: \$3,723,000) has not been recognised due to the uncertainty as to the amount that can be utilised.

No adjustments are required in respect of the subsidiaries.

Notes to the consolidated financial statements For the year ended 31 December 2017

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

8. Loss per share

Basic loss per share

The calculation of basic loss per share at 31 December 2017 was based on the loss attributable to common shareholders of \$1,548,000 (2016: \$1,548,000) and a weighted average number of common shares outstanding during the year ended 31 December 2017 of 303,037,407 (2016: 155,381,311).

	2017	2016
Loss from continuing operations	1,548	1,548
Loss attributable to common shareholders	1,548	1,548
Basic and diluted loss per share in US cents	0.005	0.010

Diluted Loss per share

The potential increase in common shares from the exercise of any outstanding share purchase warrants and share options would be anti-dilutive as the Group has a net loss. These potential common shares are therefore excluded from the calculation and the diluted loss per share figure reported is the same as the basic loss per share.

9. Intangible assets

Cost	Deferred exploration costs
At 1 January 2016	812
Additions	84
Transferred to investments held for sale	(400)
Impairment	(202)
Foreign exchange	(121)
At 31 December 2016	173
Additions	22
Foreign exchange	41
At 31 December 2017	236

The additions during the year were for deferred exploration costs of \$22,000 relating to a number of projects in Mexico.

Notes to the consolidated financial statements

For the year ended 31 December 2017

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

10. Property, plant and equipment

	Plant and equipment	Vehicles	Total
Cost			
At 31 December 2015	35	-	35
Additions	-	7	7
Foreign exchange movement	(6)	(1)	(7)
At 31 December 2016	29	6	35
Additions	2	-	2
Foreign exchange movement	3	1	4
At 31 December 2017	34	7	41
Depreciation and impairment losses			
At 31 December 2015	(30)	-	(30)
Depreciation	(2)	(1)	(3)
Foreign exchange movement	5	-	5
At 31 December 2016	(27)	(1)	(28)
Depreciation	(2)	(2)	(4)
Foreign exchange movement	(3)	-	(3)
At 31 December 2017	(32)	(3)	(35)
Carrying amounts			
At 31 December 2015	5	-	5
At 31 December 2016	2	5	7
At 31 December 2017	2	4	6

11. Assets classified as held for sale

On 1 August 2016 the Company executed a binding agreement with Minera Oro Silver de Mexico SA de CV ("Minera Oro Silver"), a subsidiary of Endeavour Silver Corporation, to sell the Company's 75 hectare Calicanto Project in the State of Zacatecas, for a cash consideration of US\$400,000, which was received upon the execution and ratification of the assignment agreement in respect of the relevant mineral concessions in 2017.

Therefore for the year ended 31 December 2016, the amount relating to the Calicanto Project was reclassified from intangible assets to assets held for sale.

On 3 February 2017, the Company completed the sale of the Calicanto project and received the cash consideration of \$400,000.

12. Trade and other receivables

	2017	2016
Other receivables	25	28
Receivables due from related parties	-	265
Prepayments	32	16
Total trade and receivables	57	309

13. Cash and cash equivalents

	2017	2016
Bank balances	876	416
Cash and cash equivalents in the statement of cash flows	876	416

Notes to the consolidated financial statements

For the year ended 31 December 2017

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

14. Share capital and reserves

Share Capital

Authorised

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

Issued and outstanding common shares

Changes for the years ended 31 December 2017 and 2016 are detailed in the following table:

	2017		2016	
	Number of shares (000s)	Amount	Number of shares (000s)	Amount
Opening balance 1 January	183,695	52,396	33,907	51,781
Shares and warrants issued for cash	240,000	1,558	149,788	2,157
Issue costs of share issuance	-	(156)	-	(209)
Fair value of share warrants issued	-	(833)	-	(1,333)
Closing balance 31 December	423,695	52,965	183,695	52,396

During the years ended 31 December 2017 and 2016, the Company made share issuances as set out below.

2017

- On 9 June 2017 120,000,000 common shares were issued at £0.005 each, £600,000 (US\$775,110)
- On 27 July 2017 120,000,000 common shares were issued at £0.005 each, £600,000 (US\$783,084)

2016

- On 27 January 2016 79,787,493 common shares were issued at £0.01 each, £797,875 (US\$1,137,419)
- On 13 May 2016 70,000,000 common shares were issued at £0.01 each, £700,000 (US\$1,019,970)

Warrants

Warrant reserve

The warrants reserve arises on the issue of warrants.

	2017	2016
Opening balance 1 January	1,333	3,455
Cancellation of warrants	-	(3,455)
Fair value of warrants issued	833	1,333
Closing balance 31 December	2,166	1,333

On 9 June 2017 132,000,000 common shares purchase warrants were issued, exercisable at £0.006 per common share, until 8 June 2019.

On 27 July 2017 132,000,000 common share purchase warrants were issued, exercisable at £0.006 per common share, until 26 July 2019.

The number and weighted average exercise price of warrants in issue for the year ended 31 December 2017 and 2016:

	2017		2016	
	Outstanding (000s)	Weighted average exercise price	Outstanding (000s)	Weighted average exercise price
Opening balance 1 January	114,787	0.02	12,152	0.88
Issued	264,000	0.01	114,787	0.02
Cancelled	-	-	(12,152)	0.88
Closing balance 31 December	378,787	0.01	114,787	0.02

Notes to the consolidated financial statements

For the year ended 31 December 2017

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

14. Share capital and reserves (continued)

Fair value of Warrants and assumptions

The estimate of the fair value of the Warrants is measured based on the Black-Scholes model. The following inputs were used in the calculation of the fair value of the warrants granted.

	9 June 2017	27 July 2017
Fair value (\$ 000s)	534	299
Share price (\$)	0.0073	0.0053
Weighted average exercise price (£)	0.006	0.006
Expected volatility	68.29%	68.29%
Expected warrants life	2 years	2 years
Expected dividend yield	0%	0%
Risk-free interest rate	0.12%	0.25%

The expected volatility is based on the historical share prices of a group of companies deemed to be comparable.

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.

	2017	2016
Opening balance 1 January	1,417	7,701
Fair value of share options issued	56	-
Share options lapsed	(84)	(6,284)
Closing balance 31 December	1,389	1,417

Foreign exchange translation reserve

The translation reserve comprises foreign exchange differences arising from the translation of the financial statements of operations that do not have a US dollar functional currency. Exchange differences arising are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the operation is disposed of.

Retained earnings

Retained earnings comprise losses incurred in the current and prior years.

15. Share-based payment transactions

The number and weighted average exercise prices of share options for the years ended 31 December 2017 and 2016 are set out below. The issue of common shares prior to the date of the share consolidation have been restated to the nearest whole number as if they had occurred post-consolidation.

	2017		2016	
	Outstanding (000s)	Weighted average exercise price (\$)	Outstanding (000s)	Weighted average exercise price (\$)
Opening balance 1 January	775	0.32	2,106	4.61
Issued	8,500	0.01	-	-
Lapsed	(50)	1.07	(1,331)	7.11
Closing balance 31 December	9,225	0.03	775	0.32

Share options in issue at 31 December 2017:

Outstanding shares	Exercisable shares	Exercise price	Expiry
725,000	725,000	£0.70	29 May 2018
6,250,000	6,250,000	£0.01	2 February 2022
2,250,000	2,250,000	£0.01	9 February 2022

The share options outstanding at 31 December 2017 if exercised, will be settled by issue of equity.

The weighted average remaining contractual life of share options as at 31 December 2017 was 1,390 days.

Notes to the consolidated financial statements

For the year ended 31 December 2017

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

15. Share-based payment transactions (continued)

Fair value of share options and assumptions

The estimate of the fair value of the share options is measured based on the Black-Scholes model. The following inputs were used in the calculation of the fair value of the warrants granted.

	3 February 2017	10 February 2017
Fair value (\$ 000s)	41	15
Share price (\$)	0.0095	0.0095
Weighted average exercise price (£)	0.010	0.010
Expected volatility	68.29%	68.29%
Expected share options life	5 years	5 years
Expected dividend yield	0%	0%
Risk-free interest rate	0.55%	0.55%

The expected volatility is based on the historical share prices of a group of companies deemed to be comparable.

Share options held by directors and senior management at 31 December 2017:

Holder	Shares	Exercise price	Grant Date	Vesting Date	Expiry ¹
A J Williams ²	200,000	£0.70 / C\$1.09123	30 May 2013	30 May 2013	29 May 2018
	2,500,000	£0.01	03 Feb 2017	03 Feb 2017	02 Feb 2022
J T Williams ²	200,000	£0.70 / C\$1.09123	30 May 2013	30 May 2013	29 May 2018
	2,500,000	£0.01	03 Feb 2017	03 Feb 2017	02 Feb 2022
J S Cable	25,000	£0.70 / C\$1.09123	30 May 2013	30 May 2013	29 May 2018
	500,000	£0.01	10 Feb 2017	10 Feb 2017	09 Feb 2022
T A Bailey	25,000	£0.70 / C\$1.09123	30 May 2013	30 May 2013	29 May 2018
	500,000	£0.01	10 Feb 2017	10 Feb 2017	09 Feb 2022
J A Crombie	25,000	£0.70 / C\$1.09123	30 May 2013	30 May 2013	29 May 2018
	500,000	£0.01	10 Feb 2017	10 Feb 2017	09 Feb 2022
Senior Management	250,000	£0.70 / C\$1.09123	30 May 2013	30 May 2013	29 May 2018
	2,000,000	£0.01	03 Feb 2017	03 Feb 2017	02 Feb 2022

¹ The expiry date is subject to the terms and conditions contained in the share option plan.

² All options lapsed unexercised on 15 May 2018

Changes to the number of share options held by directors and senior management in the year ended 31 December 2017:

Holder	At 1 January 2017	Granted	Lapsed	At 31 December 2017
A J Williams	200,000	2,500,000	-	2,700,000
J T Williams	200,000	2,500,000	-	2,700,000
J S Cable	25,000	500,000	-	525,000
T A Bailey	25,000	500,000	-	525,000
J A Crombie	25,000	500,000	-	525,000
Senior Management	300,000	2,000,000	(50,000)	2,250,000
Total	775,000	7,750,000	(50,000)	8,700,000

16. Trade and other payables

	2017	2016
Payables due to related parties	-	10
Trade payables	8	31
Other payables	77	54
Total trade and other payables	85	95

Notes to the consolidated financial statements

For the year ended 31 December 2017

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

17. Group entities

Significant Subsidiaries	Country of incorporation and operation	Principal activity	Arian Silver Corporation effective interest	
			2017	2016
Arian Silver (Barbados) Corporation	Barbados	Non trading	100%	100%
Compañía Minera Estrella de Plata S.A. de C.V.	Mexico	Silver exploration & production	100%	100%
Arian Silver Corporation (UK) Ltd	England and Wales	Holding	100%	100%
Arian Silver (Holdings) Limited	England and Wales	Holding	100%	100%

18. Financial instruments and financial risk management

Categories of financial instruments

	2017	2016
Cash and cash equivalents (note 13)	876	416
Trade and other receivables (note 12)	25	293
Total financial assets measured at amortised cost	901	709
Available for sale investments measured at fair value	143	-
Total financial assets	1,044	709
Trade and other payables measure at amortised cost (note 16)	36	61
Total financial liabilities	36	61

Exposure to interest rate and foreign currency risks arises in the normal course of the Group's business. Derivative financial instruments are not used to hedge exposure to fluctuations in foreign exchange rates and interest rates.

The Group's policy is to retain its surplus funds on short term deposits, usually between one week and four weeks duration, at prevailing market rates. Credit risk is managed by ensuring that surplus funds are only deposited with well-established financial institutions of high quality credit standing.

Market risk

Market risk is the risk that the Group's future earnings will be adversely impacted by changes in market prices. Market risk for Arian comprises two types of risk: price risk and foreign currency risk.

Price risk

The price risk is the risk that the Group's future earnings will be adversely impacted by changes in the market prices of commodities.

Foreign currency risk

The Group's operational expenditure is made in Mexico in Mexican pesos and head office expenses are predominantly made in the UK in pounds sterling, and United States dollars. The Group is therefore exposed to the movement in exchange rates for these currencies. The Group does not currently hedge foreign exchange risk.

At the year end the majority of the Group's cash resources were held in pounds sterling. The Group therefore also has downside exposure to any strengthening of United States dollar or the Mexican peso against pounds sterling as this would increase expenses in pounds sterling terms and accelerate the depletion of the Group's cash resources. Any weakening of United States dollar or the Mexican peso against pounds sterling would, however, result in a reduction in expenses in pounds sterling terms and preserve the Group's cash resources.

There is not considered to be any material exposure in respect of other monetary assets and liabilities of the Group as these are of a short-term nature. The table below shows an analysis of cash and cash equivalents denominated by currency.

	2017	2016
Pounds sterling	710	383
United States dollars	165	33
Mexican pesos	1	-
Total cash held	876	416

Notes to the consolidated financial statements

For the year ended 31 December 2017

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

18. Financial instruments and financial risk management (continued)

Sensitivity Analysis

The Group holds cash in pounds sterling to settle accounts payable balances derived in that currency. The main risk is through foreign exchange fluctuations in companies where the cash balances are held in a currency that is different to the functional currency.

	Functional Currency				Total 2017	Total 2016
	Sterling 2017	Sterling 2016	Mexican Peso 2017	Mexican Peso 2016		
Currency of net monetary asset/liability						
Sterling	725	311	-	-	725	311
United States dollars	155	292	10	5	165	297
Mexican pesos	-	-	20	10	20	10
Total	880	603	30	15	910	618

Exposure to foreign currency risk sensitivity analysis:

	Against Sterling US\$
15% strengthening in the United States dollar	(23)
15% weakening in the United States dollar	23

A 15% variation is considered an appropriate level of sensitivity given recent levels of foreign exchange volatility.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that the Group uses. Treasury activities take place under procedures and policies approved and monitored by the Board to minimise the financial risk faced by the Group. Interest bearing assets comprise cash and cash equivalents which are considered to be short-term liquid assets. No sensitivity analysis has been disclosed as management does not consider any reasonable fluctuation in interest rates to be sufficiently material to disclose.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The directors regularly review cash flow forecasts to determine whether the Group has sufficient cash reserves to meet future working capital requirements and discretionary business development opportunities including exploration activities.

As at 31 December 2017, the Company had cash and other receivables of \$901k to settle accounts payable of \$65k. The Company's accounts payable have contractual maturities of less than 30 days and are subject to normal trade terms. In the short-term, liabilities will be funded by cash.

The Group's assets are at an early stage and in order to meet financing requirements for their development the Company has raised funds by way of several discrete share placements, which is a common practice for junior mineral exploration companies.

In June 2017 the Company was successful in an equity placing and subscription generating net proceeds of \$697,599. In July 2017 a further placing generated net proceeds of \$704,776, please refer to note 14 for further details.

In May 2018 the Company successfully raised £602,000 (US\$815,000 based on an exchange rate of 1.3538 as at 9 May 2018). Please refer to note 20 for further details.

Although the Company has been successful in the past in raising equity finance, there can be no assurance that the funding required by the Group will be made available to it when needed or, if such funding were to be available, that it would be offered on reasonable terms. The terms of such financing might not be favourable to the Group and might involve substantial dilution to existing shareholders.

Notes to the consolidated financial statements

For the year ended 31 December 2017

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

18. Financial instruments and financial risk management (continued)

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Group's maximum exposure to credit risk is attributable to cash. The credit risk on cash is limited because the Group invests its cash in deposits with well capitalised financial institutions with strong credit ratings.

Fair values

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, trade and other payables. It is the Board's opinion that the carrying values of the cash and cash equivalents, the other receivables, all trade and other payables in the consolidated statement of financial position approximate their fair values due to their short-term nature.

Fair value disclosures for available for sale investment into SGL UK are shown below in this note.

Capital Management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern and have access to adequate funding for its exploration and development projects, so that it can provide returns for shareholders and benefits for other stakeholders. The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure the Group may issue new shares, acquire debt, or sell assets. Management regularly reviews cash flow forecasts to determine whether the Group has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities.

Available for sale investments

On 24 September 2013 the Company acquired an option for \$200,000 to conduct due diligence on Siberian Goldfields Ltd, a company incorporated in the BVI ("SGL BVI") and its mineral properties, with a view to Arian undertaking a potential equity transaction or other corporate transaction or investment with SGL BVI ("Transaction"). On 27 November 2013, Arian gave notice to SGL BVI of its election not to proceed with a Transaction. The option grant fee was repayable by SGL BVI to Arian together with interest payable at a rate of 10% per annum in the event that Arian elected not to proceed with a Transaction but remained unpaid until April 2017. In April 2017, Arian converted all outstanding debt into 2 million shares in SGL BVI representing 0.35% of the issued share capital of that company and following a corporate reorganisation, Arian then received 881,077 Ordinary shares of Siberian Goldfields Ltd being a company incorporated in England & Wales) ("SGL UK") representing 0.35% of the issued share capital of SGL UK. Following the reorganisation, SGL UK has a 100% interest in the Zhelezny Kryazh gold project in Eastern Siberia, Russia.

During the year ended 31 December 2016 and until the date of conversion, the loan and accumulated interest was classified as Loans and receivables and carried at amortised cost. At the date of conversion into SGL BVI shares, the Group has re-classified this investment into available for sale investment and recorded it initially at the carrying value of the accumulated debt of \$271,507.

The Directors have considered a number of methodologies to determine the fair value of the available for sale investment in Siberian Goldfields Limited including market approach, determining a fair value by reference to similar listed companies, determining a fair value by reference to in-situ resources and determining a value through discounted cash flow model.

The Group selected market approach as the valuation technique that is the most appropriate in the circumstances and for which sufficient reliable data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. On 9 March 2018, SGL UK issued 400,000 ordinary shares at 12p each, which is the most recent arms-length transaction. SGL UK had no other share issues during the year ended 31 December 2017 since its incorporation on 28 March 2017. The directors decided that this valuation is the most appropriate as it maximises the use of the reliable observable inputs. Based on the relative timing of the issue and their knowledge of SGL UK they do not consider that there were any material events up to the date of issue that would suggest this does equate to the fair value of the shares at 31 December 2017. Fair value measurement of SGL UK shares is based on a Level 2 observable inputs, that are inputs other than quoted prices that are observable for the asset or liability either directly or indirectly. The following table shows the changes to the fair value of the Company's Level 2 financial assets:

	2017	2016
Opening balance	-	-
Re-classified from Loans and receivables on conversion into SGL BVI shares	272	-
Impairment of available for sale investments	(129)	-
Closing balance	143	-

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

19. Related parties

Control of the Company

In the opinion of the Board, at 31 December 2017 there was no ultimate controlling party of the Company.

Identity of related parties

The Company and its subsidiaries have a related party relationship, with its Directors and executive officers.

On 24 September 2013 the Company acquired an option for \$200,000 to conduct due diligence on Siberian Goldfields Ltd, a British Virgin Islands registered company ("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.

At 31 December 2016, the option grant fee was 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 the transaction. Interest accrued during the period from 1 January 2017 until April 2017, when the conversion into SGL UK shares took place, and credited to Arian's income statement, amounted to \$6,082 (2016: \$20,000). As at 31 December 2017, \$nil (2016: \$265,000) was owed to Arian by SGL. More details of conversion are disclosed in the note 18.

A.J. Williams is a director and shareholder of SGL.

Directors' interests in shares of the Company

At 31 December 2017 the Directors of the Company and their immediate relatives controlled approximately 1.20% (2016: 2.76%) of the voting shares of the Company.

Directors' interests in the common shares of the Company as at 31 December 2017 and 2016 are set out below.

	2017	2016
A J Williams	1,688,702	1,688,702
J T Williams	1,500,000	1,500,000
T A Bailey	1,314,226	1,314,226
J A Crombie	566,665	566,665

Transactions with key management personnel

During the year ended 31 December 2017 the Company entered into the following transactions involving key management personnel:

Dragon Group Ltd charged the Company a total of \$65,261 (2016: \$122,266). This relates to the reimbursement of A.J. Williams' remuneration paid on behalf of the Company. A.J. Williams, Chairman and a director of the Company, beneficially owns Dragon Group Ltd. At 31 December 2017, \$nil (2016: \$10,413) was outstanding.

Key management personnel also participate in the Group's share option programme as disclosed in note 15.

Key management personnel compensation is disclosed in note 5.

JS Cable consulting fees

During the year, JS Cable charged the Company a total of \$nil (2016: \$10,141) in respect of consulting fees. There was no outstanding balance at 31 December 2017 (2016: nil).

J.S. Cable is a director of the Company.

TA Bailey consulting fees

During the year, TA Bailey charged the Company a total of \$nil (2016: \$9,395) in respect of consulting fees. There was no outstanding balance at 31 December 2017 (2016: nil).

T.A. Bailey is a director of the Company.

20. Post balance sheet events

15 May 2018

On 15 May 2018, the Company raised £602,000 before expenses through the private placing for 0.25p each, of 240,800,000 Common shares in the capital of the Company.

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Upon the admission of the shares pursuant to the private placing as described below, Mr DV Edmonds was appointed as a director and Executive Chairman of the Company. Mr CC Gordon was appointed an independent non-executive director of the Company.

The grant of options includes awards made to the following directors:

<u>Name of Director</u>	<u>Number of options</u>
DV Edmonds	17,142,373
CC Gordon	17,142,373

JT Williams and AJ Williams each resigned as directors of the Company on 15 May 2018. Pursuant to the terms of his settlement agreement, JT Williams received a settlement payment equal to his annual fee, which was satisfied partly through the issuance of 26,400,000 Common shares at a price of 0.25p each, and by the cash payment of £154,000. Also pursuant to the terms of his settlement agreement, AJ Williams received a settlement payment equal to his annual fee, which was satisfied partly through the issuance of 10,800 Common shares at a price of 0.25p each, and by the cash payment of £63,000.

Upon the resignations of JT Williams and AJ Williams, options over 5,000,000 Common shares with an exercise price of 1p each, and options over 400,000 Common shares with an exercise price of 70p each, lapsed unexercised.

Other information

Directors

The following individuals served as directors to the Company during the year ended 31 December 2017:

Anthony Joseph Williams (resigned 15 May 2018)
James Thomas Williams (resigned 15 May 2018)
Thomas Anstey Bailey
James Seymour Cable
James Arnott Crombie

The following individuals were appointed as directors on 15 May 2018:

Dennis Vernon Edmonds
Christopher Charles Gordon

Company contacts and advisers

Auditors

BDO LLP
55 Baker Street
London W1U 7EU
United Kingdom

Registrar (BVI)

Computershare Investor Services (BVI) Limited
c/o Queensway House
Hilgrove Street
St Helier JE1 1ES
Jersey

Nominated Advisor and Broker

Northland Capital Partners Limited
40 Gracechurch Street, 2nd Floor
London, EC3V 0BT
United Kingdom

Registered office

Craigmuir Chambers
P.O. Box 71
Road Town
Tortola
British Virgin Islands

Registrar (UK depository interests)

Computershare Investor Services plc
The Pavilions
Bridgewater Road
Bristol
BS99 7NH
United Kingdom

UK head office

Berkeley Square House
Berkeley Square
London W1J 6BD
United Kingdom

Company registration number

UK FC027089
BVI 1029783

Website

www.ariansilver.com