

Arian Silver Corporation



ARIAN SILVER CORPORATION

**Audited Consolidated
Financial Statements**
Years Ended
December 31, 2008 and 2007
(In thousands of U.S. dollars)

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have, as required by the AIM Rules of the London Stock Exchange, prepared the group financial statements in accordance with International Financial Reporting Standards and have also elected to prepare the group financial statements in accordance with those standards. The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

The financial statements are required to give a true and fair view of the state of affairs of the group and of the profit or loss of the group for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group. They are also responsible for safeguarding the assets of 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.

Report of the independent auditors' to the members of Arian Silver Corporation

We have audited the group financial statements ('the financial statements') of Arian Silver Corporation for the year ended 31 December, 2008 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated statement of cash flows and consolidated statement of recognised income and expense and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body. Our audit work has been undertaken so that we might state to the Company's members our opinion as to whether the financial statements give a true and fair view for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the International Accounting Standards Board are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the Management's Discussion and Analysis. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with IFRSs as adopted by the International Accounting Standards Board, of the state of the group's affairs as at 31 December, 2008 and of its loss for the year then ended.

Emphasis of matter – going concern and adequacy of project finance

In forming our opinion, which is not qualified, we have considered the adequacy of disclosures made in note 2(a) to the financial statements concerning the group's ability to continue as a going concern and progress its exploration projects. Further funding is now required for the next 12 months and the directors have taken steps to raise the additional finance. However, the receipt of the funding remains outstanding and is dependent upon the successful placing for cash of the Company's equity investment in Grafton Resource Investments Limited ("Grafton"). The Company also requires a short term advance for working capital purposes which Grafton has confirmed will be forthcoming. 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 the carrying value of the Group's exploration projects. These financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

PKF (UK) LLP

Registered Auditors
London, UK
27 April, 2009

Arian Silver Corporation

Independent Auditors' Report to the Directors of Arian Silver Corporation in respect of Compatibility with Canadian GAAS

In accordance with the requirement contained in National Instrument 52-107 we report below on the compatibility of Canadian Generally Accepted Auditing Standards ("Canadian GAAS") and International Standards on Auditing (UK and Ireland).

We conducted our audit for the year ended 31 December, 2008 in accordance with International Standards of Auditing (UK and Ireland). There are no material differences in the form or content of our audit report, except as noted below, as compared to an auditors' report prepared in accordance with Canadian GAAS and if this report were prepared in accordance with Canadian GAAS it would not contain a reservation.

An audit report issued in accordance with Canadian GAAS does not require the Emphasis of Matter paragraph that is included in the United Kingdom Independent Auditors' Report for the year ended 31 December, 2008 given above. In all other respects, there are no material differences in the form and content of the above noted auditors' report.

PKF (UK) LLP
London, UK
27 April, 2009

Arian Silver Corporation

Consolidated balance sheet
(Expressed in United States dollars)

As at 31 December, 2008

	<i>Note</i>	2008	2007
		\$'000	\$'000
Assets			
Property, plant and equipment	9	135	181
Intangible assets	10	6,038	4,407
Total non-current assets		6,173	4,588
Trade and other receivables	12	625	714
Cash and cash equivalents	13,19	753	3,134
Total current assets		1,378	3,848
Total assets		7,551	8,436
Equity			
Share capital	14,15	33,303	29,852
Share-based payment reserve	15,17	2,184	2,068
Foreign exchange translation reserve	15	(1,973)	(865)
Retained loss		(26,218)	(22,955)
Total equity		7,296	8,100
Trade and other payables	18	255	336
Total current liabilities		255	336
Total liabilities		255	336
Total equity and liabilities		7,551	8,436

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

The financial statements were approved and authorised for issue by the Board of Directors on 27 April 2009 and were signed on its behalf by:

“J T Williams”
J T Williams
Chief Executive Officer

“G A Potts”
G A Potts
Chief Financial Officer

Arian Silver Corporation

Consolidated income statement
(Expressed in United States dollars)

For the year ended 31 December, 2008

	2008	2007
<i>Note</i>	\$'000	\$'000
Administrative expenses	(3,720)	(4,955)
Operating loss before financing costs	<u>(3,720)</u>	<u>(4,955)</u>
Finance income	7 31	62
Net financing income	<u>31</u>	<u>62</u>
Loss before tax	5 (3,689)	<u>(4,893)</u>
Loss for the period	<u>(3,689)</u>	<u>(4,893)</u>
Basic and diluted loss per share	16 (0.03)	(0.05)
Consolidated statement of recognised income and expense		
Foreign exchange translation differences recognised directly in equity:		
- in respect of translation of foreign operations and in respect of presentation of financial statements in United States dollars	(1,036)	45
Loss for the period	<u>(3,689)</u>	<u>(4,893)</u>
Total recognised income and expense for the period	<u>(4,725)</u>	<u>(4,848)</u>

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

Arian Silver Corporation

Consolidated statement of cash flows
(Expressed in United States dollars)

For the year ended 31 December, 2008

	<i>Note</i>	2008 \$'000	2007 \$'000
Cash flows from operating activities			
Operating loss before financing costs		(3,720)	(4,955)
Adjustments for:			
Depreciation		55	45
Exchange difference		106	253
Equity-settled share-based payment transactions		34	1,121
		<u>(3,089)</u>	<u>(3,536)</u>
Change in trade and other receivables	12	(68)	(471)
Change in trade and other payables	18	10	(37)
Net cash used in operating activities		<u>(3,147)</u>	<u>(4,044)</u>
Cash flows from investing activities			
Interest received	7	31	62
Acquisition of intangibles	10	(2,651)	(3,182)
Acquisition of property, plant and equipment	9	(48)	(95)
Net cash used in investing activities		<u>(2,668)</u>	<u>(3,215)</u>
Cash flows from financing activities			
Proceeds from issue of share capital	14,15	3,451	7,404
Bank overdraft/(Overdraft repayment)		-	(6)
Net cash from financing activities		<u>3,451</u>	<u>7,398</u>
Net increase in cash and cash equivalents			
Cash and cash equivalents at 1 January		3,134	3,193
Effect of exchange rate fluctuations on cash held		(17)	(198)
Cash and cash equivalents at 31 December	19	<u>753</u>	<u>3,134</u>

Notes to the consolidated financial statements

1. Reporting entity

Arian Silver Corporation (the “Company”) is a company domiciled in the British Virgin Islands. The consolidated financial statements of the Company for the year ended 31 December, 2008 comprise the Company and its subsidiaries (together referred to as the “Group”). The Group is primarily involved in the acquisition and development of mineral resource assets.

The comparative figures used are for the year ended 31 December, 2007.

2. Basis of preparation

(a) Going concern and adequacy of project finance

Since the Company is at an early stage of development, it has in the past raised funds in several discrete tranches, which is a common practice for junior mineral exploration companies. Although the Company has been successful in the past in raising equity finance, there can be no assurance that the funding required by the Company 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 Company and might involve substantial dilution to existing shareholders.

The Company will require additional funding in the future in order to progress exploration programmes on its mineral projects, to meet property option payments, for development and for general working capital requirements. Sources of funds currently available to the Company are through the issue of equity capital, the sale of its interests in one or more of its projects, by way of project joint ventures or business combinations.

As described in note 22 “Post-Balance Sheet Events” the Company has completed a share exchange transaction with Grafton Resource Investments Ltd (“Grafton”) which transaction has been designed to provide new funding for the Company. It is currently anticipated that such cash funding for the Company will arise from the placing of the 128,591 Grafton shares that have been issued to the Company following the listing of Grafton on the Dublin Stock Exchange, which should take place in the near future. The principals of Grafton and their associates have experience in providing funding for junior mining and exploration companies using this type of transaction and the Company is reliant on them being able to replicate this experience to provide new funding required by the Company.

Grafton has provided a \$300,000 short term advance to the Company to be repaid out of the proceeds of the above funding. The directors of the Company have requested a further short term advance of \$250,000 for working capital purposes, which Grafton has confirmed will be forthcoming.

In addition, the Company has accumulated IVA (sales tax) on past exploration expenditure in Mexico which amounted to \$581,000 at 31 December, 2008. IVA is generally repaid in instalments by the Mexican tax authorities. However, there is no certainty as to the timing of future repayments of this IVA debtor.

Based on current expectations, the directors of the Company currently believe it appropriate to prepare the Company’s financial statements on a going concern basis. However, if funding from the transaction with Grafton does not meet current expectations in terms of amount raised and timing the Company may not be able to meet its ongoing working-capital and project expenditure requirements. If these circumstances arose then there would be significant doubt on the Company’s ability to continue as a going concern and the carrying value of the Group’s exploration projects would be impaired.

(b) Use of estimates and judgement

The preparation of financial statements in conformity with International Financial Reporting Standards (“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 results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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.

Notes to the consolidated financial statements

Information about such judgements and estimates is 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 accounts recognised in the consolidated financial statements:

- Capitalisation and impairment of exploration and evaluation costs – Notes 3e, 3g, 10
- Estimation of share based payment costs – Notes 3h, 17

(c) Statement of compliance

The consolidated financial statements of the Company for the year ended December 31, 2008 have been prepared in accordance with IFRSs and its interpretations adopted by the International Accounting Standards Board (“IASB”) in force at the reporting date. The Company has not adopted any standards or interpretations in advance of the required implementation dates.

The Directors are in the process of evaluating the impact of standards and/or interpretations that have not yet become effective. Listed below are those standards and/or interpretations most likely to impact the Group:

IAS 1 Presentation of Financial Statements (revised 2007) (effective 1 January 2009)
IAS 23 Borrowing Costs (revised 2007) (effective 1 January 2009)
IAS 27 Consolidated and Separate Financial Statements (Revised 2008) (effective 1 July 2009)
Amendment to IFRS 2 Share-based Payment - Vesting Conditions and Cancellations (effective 1 January 2009)
IFRS 3 Business Combinations (Revised 2008) (effective 1 July 2009)
IFRS 8 Operating Segments (effective 1 January 2009)

It is felt that these standards and/or interpretations are unlikely to have a material impact on the Group’s earnings or shareholders’ funds.

The amendment to IAS 1 Financial statement presentation released in September 2007 redefines the primary statements and expands on certain disclosures within these. Once adopted the Group’s primary statements will be amended to reflect the presentation required.

The accounts were approved by the board and authorised for issue on 27 April, 2009.

(d) Functional and presentation currency

These consolidated financial statements are presented in United States dollars as the Company believes it to be the most meaningful currency for investors. The functional currencies of the Company and its subsidiary are 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

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Notes to the consolidated financial statements

(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

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to United States dollars at exchange rates ruling at the balance sheet date. The revenues and expenses of operations and net investments in subsidiaries are translated to United States dollars at rates approximating to the exchange rates ruling at the dates of the transactions. The financial statements of the parent company are presented in United States dollars on the same basis. Foreign exchange differences arising on translation and presentation are recognised directly as a separate component of equity. Exchange differences relating to the translation of an overseas operation are released into the income statement upon disposal of that subsidiary.

(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 balance sheet date. The revenues and expenses of operations and net investments in subsidiaries 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 directly as a separate component of equity. They are released into the income statement upon disposal.

Further foreign exchange differences arise from the translation required for the presentation of the financial statements in United States dollars. This is recognised directly as a separate component of equity.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition, non-derivative financial instruments are measured as described below. At 31 December, 2008 the fair value equated to the historical cost for all non-derivative instruments.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits.

(ii) Share capital – Common shares

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

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the estimated costs of dismantling and removing the items and restoring the site on which

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Notes to the consolidated financial statements

they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is charged to the income statement 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 years |
| • fixtures and fittings | 3 years |
| • plant and equipment | 5 years |
| • motor vehicles | 4 years |

The residual value, if not insignificant, is reassessed annually.

(e) Intangible assets

(i) Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill arises on the acquisition of subsidiaries, associates and joint ventures. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see accounting policy g). Goodwill arising on acquisition is capitalised and shown within fixed assets. The excess of net assets over consideration paid on an acquisition (negative goodwill) is recognised directly in profit or loss.

(ii) Deferred exploration and evaluation costs

These comprise costs directly incurred in exploration and evaluation as well as the cost of mineral licences. They are capitalised as intangible assets pending the determination of the feasibility of the project. When the decision is taken to develop a mine the related intangible assets are transferred to property, plant and equipment 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 a 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) Leased assets

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Notes to the consolidated financial statements

(g) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

(h) Share-based payment transactions

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

(i) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(j) Finance income and expenses

Finance income comprises interest income on funds invested and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings and foreign currency losses. All borrowing costs are recognised in profit or loss using the effective interest method.

(k) Income tax expense

Income tax expense comprises current and deferred tax.

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

Notes to the consolidated financial statements

(l) Earnings per share

The Group presents basic and diluted earnings per share (“EPS”) data for its common shares. Basic EPS 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 EPS 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 and share options.

(m) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group’s primary format for segment reporting is based on business segments.

4. Segment reporting

Segment information is presented in respect of the Group’s business and geographical segments. The primary format, business segments, is based on the Group’s management and internal reporting structure.

Inter-segment pricing is determined on an arm’s length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

(i) Business segments

The Group’s only business segment is the exploration for, and development of, silver and associated metal deposits.

(ii) Geographical segments

The Group also reports by geographical segment. The exploration segment is managed in one principal geographical area, Mexico, with support provided by the UK office.

	Mexico		UK		Total	
	2008	2007	2008	2007	2008	2007
	\$’000	\$’000	\$’000	\$’000	\$’000	\$’000
Total assets	6,772	5,191	779	3,245	7,551	8,436
Capital expenditure on property, plant & equipment	3	89	45	6	48	95
Capital expenditure on intangibles	2,548	3,091	0	91	2,548	3,182

5. Loss on operating activities is stated after charging:

	2008	2007
	\$’000	\$’000
Auditors remuneration		
Audit – Remuneration for audit of the Arian Silver Corporation	53	66
Audit – Remuneration for audit of the Arian Silver Mexico	6	6
Taxation	8	18
Depreciation	55	45
Exchange (loss)	(17)	(198)

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Notes to the consolidated financial statements

In view of the significant volatility in currencies in the third quarter of 2008, the Directors have reviewed the presentation of intra-group foreign exchange differences in the income statement. They have concluded that it is more appropriate to present such intra-group exchange differences in the Statement of Recognised Income and Expenses and the results for the financial year reflect this presentation.

6. Staff numbers and costs

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

	Number of Employees 2008	Number of Employees 2007
Finance and administration	16	23
Technical	32	27
	48	50

The aggregate staff costs of these persons were as follows:

	2008 \$'000	2007 \$'000
Wages and salaries	1,128	1,473
Social security costs	72	100
Share based payments	508	1,121
	1,708	2,694

Remuneration of key management personnel

Key management personnel remuneration is detailed below:

	2008			2007
	Salary \$'000	Fees \$'000	Total \$'000	Total \$'000
Executive Directors				
A J Williams	134	-	134	144
J T Williams	260	-	260	240
Non-executive Directors				
T A Bailey	28	-	28	30
J S Cable (became Non-executive 1 January, 2008)	28	-	28	80
D W Cohen (retired 12 June, 2008)	14	-	14	30
J A Crombie	35	-	35	-
Other key management				
Country Manager – Mexico	81	-	81	110
CFO & Company Secretary	117	-	117	80
	697	-	697	714

7. Finance income and expense

	2008 \$'000	2007 \$'000
Interest income	31	62
Net financing income	31	62

Notes to the consolidated financial statements

8. Income tax expense recognised in the income statement

	2008	2007
	\$'000	\$'000
Current tax expense		
Current year	-	-
Adjustments for prior years	-	-
	<hr/>	<hr/>
Reconciliation of effective tax rate		
	2008	2007
	\$'000	\$'000
Loss before tax	(3,689)	(3,775)
Income tax using the domestic corporation tax rate of 28.5% (2007 – 30%)	(1,051)	(1,121)
Non-deductible expenses	282	290
Share options disallowed	154	-
Depreciation in excess of capital allowances	5	2
Short term timing differences	(1,314)	-
Tax losses carried forward	1,924	829
Total tax expense	<hr/> -	<hr/> -

At the year end the Group had tax losses to carry forward of approximately \$12,473,000 (2007 – \$6,789,000). This includes losses and exploration costs expensed under Mexican GAAP but capitalised under IFRS. It should be noted that recent changes in Mexican tax legislation may limit the extent and timing of the use of the Mexican allowable tax losses.

Under IFRS a net deferred tax asset of \$2,457,000 (2007 – \$1,262,000) has not been recognised due to the uncertainty as to the amount that can be utilised.

9. Property, plant and equipment

	Plant and equipment	Fixtures & fittings	Vehicles	Total
	\$'000	\$'000	\$'000	\$'000
Cost				
Balance – 1 January, 2007	54	27	77	158
Additions	39	22	34	95
Balance – 31 December, 2007	<hr/> 93	<hr/> 49	<hr/> 111	<hr/> 253
Balance – 1 January, 2008	93	49	111	253
Additions	19	29	-	48
Foreign Exchange	(20)	(11)	(23)	(54)
Balance – 31 December, 2008	<hr/> 92	<hr/> 67	<hr/> 88	<hr/> 247
Depreciation and impairment losses				
Balance – 1 January, 2007	5	5	17	27
Depreciation charge for the year	13	8	24	45
Balance – 31 December, 2007	<hr/> 18	<hr/> 13	<hr/> 41	<hr/> 72
Balance – 1 January, 2008	18	13	41	72
Depreciation charge for the year	17	16	22	55
Foreign Exchange	(4)	(3)	(8)	(15)
Balance – 31 December, 2008	<hr/> 31	<hr/> 26	<hr/> 55	<hr/> 112

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Notes to the consolidated financial statements

Carrying amounts

At 31 December, 2008	61	41	33	135
At 31 December, 2007	75	36	70	181
At 1 January, 2007	49	22	60	131

10. Intangible assets

	Goodwill	Deferred Exploration costs	Total
	\$'000	\$'000	\$'000
Cost			
Balance – 1 January, 2007	13,446	1,235	14,681
Additions	-	3,182	3,182
Foreign Exchange	-	(10)	(10)
Balance – 31 December, 2007	13,446	4,407	17,853
Balance – 1 January, 2008	13,446	4,407	17,853
Additions	-	2,651	2,651
Writedown	-	(103)	(103)
Foreign Exchange	-	(917)	(917)
Balance – 31 December, 2008	13,446	6,038	19,484

Impairment losses and amortisation

Balance – 1 January, 2007	(13,446)	-	(13,446)
Balance – 31 December, 2007	(13,446)	-	(13,446)
Balance – 1 January, 2008	(13,446)	-	(13,446)
Balance – 31 December, 2008	(13,446)	-	(13,446)

Carrying amounts

At 31 December, 2008	-	6,038	6,038
At 31 December, 2007	-	4,407	4,407
At 1 January, 2007	-	1,235	1,235

The goodwill recognised in the table above is a combination of the goodwill arising on the merger with Arian Silver Corporation Limited in 2006 and the goodwill on the acquisition of Arian Silver Corporation (UK) Ltd in 2006.

The deferred exploration cost at 31 December, 2008 consisted mainly of costs relating to the three major projects as stated below:

Project	Carrying value	
	2008	2007
	\$'000	\$'000
Calicanto	869	688
Tepal	2,105	1,394
San Jose	2,766	1,507

Notes to the consolidated financial statements

11. Group entities

Significant Subsidiaries	Country of incorporation and operation	Principal activity	Arian Silver Corporation effective interest	
			2008	2007
Arian Silver de Mexico S.A. de C.V.	Mexico	Exploration	100%	100%

12. Trade and other receivables

	2008	2007
	\$'000	\$'000
Trade receivables	-	6
Other receivables	598	650
Prepayments	27	58
	625	714

13. Cash and cash equivalents

	2008	2007
	\$'000	\$'000
Bank balances	140	297
Call deposits	613	2,837
Cash and cash equivalents in the statement of cash flows	753	3,134

14. Share capital

Authorised

The Company is authorised to issue an unlimited number of common shares of no par value. Changes for the years ended 31 December, 2008 and 2007 are detailed in the following table:

Issued

	2008		2007	
	Number of Shares	Amount	Number of Shares	Amount
	000's	\$000's	000's	\$000's
Balance – 1 January	119,460	29,852	100,683	22,448
Shares issued for cash	29,592	3,612	5,454	2,779
Issue costs of share issuance	-	(161)	-	(95)
Exercise of warrants	-	-	12,493	4,473
Exercise of share options	-	-	830	247
Balance – 31 December	149,052	33,303	119,460	29,852

During the years ended 31 December, 2008 and 2007, the Company made the following share and warrant issues:

2007

- 2,892,600 common shares at US\$0.175 and 9,600,000 common shares at Cdn\$0.42 in connection with warrant exercises;
- 830,000 common shares in connection with exercises of share options at GB£0.15;
- 5,454,000 common shares at Cdn\$0.55 to provide additional working capital of Cdn\$2,999,700; and
- 2,727,250 share purchase warrants exercisable for a period of 24 months at Cdn\$0.65 and subject to accelerated exercise conditions at the Company's option.

2008

- 12,092,000 common shares at Cdn\$0.25 to provide additional working capital of Cdn\$3,023,000;
- 17,500,000 common shares at Cdn\$0.10 to provide additional working capital of Cdn\$1,747,000; and
- 6,046,000 share purchase warrants exercisable for a period of 18 months at Cdn\$0.35 and subject to accelerated exercise conditions at the Company's option.

Notes to the consolidated financial statements

15. Capital and reserves

Reconciliation of movement in shareholders equity

	Share Capital \$000's	Share based payment Reserve \$000's	Foreign exchange translation reserve \$000's	Retained Earnings \$000's	Total \$000's
Balance – 1 January, 2007	22,448	947	(910)	(18,062)	4,423
Shares issued for cash	2,779	-	-	-	2,779
Share issue costs	(95)	-	-	-	(95)
Fair value of share options	-	1,121	-	-	1,121
Proceeds from options exercised	247	-	-	-	247
Proceeds from warrants exercised	4,473	-	-	-	4,473
Net loss	-	-	-	(4,893)	(4,893)
Foreign exchange gain	-	-	45	-	45
Balance – 31 December, 2007	29,852	2,068	(865)	(22,955)	8,100
Shares issued for cash	3,612	-	-	-	3,612
Share issue costs	(161)	-	-	-	(161)
Fair value of share options	-	542	-	-	542
Lapsed share options	-	(426)	-	426	-
Net loss	-	-	-	(3,689)	(3,689)
Foreign exchange	-	-	(1,108)	-	(1,108)
Balance – 31 December, 2008	33,303	2,184	(1,973)	(26,218)	7,296

No apportionment of fair value has been made to the warrants issued in conjunction with common share issues in years to 31 December, 2008 and 2007 as this represents an allocation between non distributable reserves.

	Common shares	
	2008 000's	2007 000's
Balance – 1 January	119,460	100,683
Issued for cash	29,592	18,777
Balance – 31 December – fully paid	149,052	119,460

At 31 December, 2008 and 2007, the authorised share capital comprised an unlimited number of common shares of no par value.

Translation reserve

This translation reserve comprises all exchange differences arising from the translation of the financial statements of operations.

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

Notes to the consolidated financial statements

16. Loss per share

Basic loss per share

The calculation of basic loss per share at 31 December, 2008 was based on the loss attributable to common shareholders of \$3,689,000 (2007 – \$4,893,000) and a weighted average number of common shares outstanding during the year ended 31 December, 2008 of 130,045,827 (2007 – 107,957,205).

Diluted Loss per share

The potential increase in common shares from the exercise of any outstanding share purchase warrants or share options would be anti-dilutive as the Company 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 earnings per share.

Warrants

A summary of the changes in the Company's share purchase warrants for the years ended 31 December, 2008 and 2007 is set out below:

	2008		2007	
	Warrants outstanding (000's)	Weighted average exercise price (\$)	Warrants outstanding (000's)	Weighted average exercise price (\$)
Balance – 1 January	2,727	0.61	17,161	0.33
Exercised	-	-	(9,600)	(0.39)
Exercised	-	-	(2,893)	(0.175)
Lapsed	-	-	(4,460)	(0.39)
Lapsed	-	-	(208)	(0.60)
Issued	6,046	0.35	2,727	0.61
Balance – 31 December	8,773	0.43	2,727	0.61

Warrants in issue at 31 December 2008:

Shares issuable on exercise	Exercise price	Expiry
2,727,250	Cdn\$0.65	1 August, 2009
6,046,000	Cdn\$0.35	29 November, 2009

Note 22 "Post Balance Sheet Events" sets out details of variations to the terms of the warrants outstanding at 31 December 2008.

17. Share-based payment transactions

The Company currently has in place an incentive share option plan (the "Plan") covering Directors, officers, employees and consultants of the Company and its subsidiary companies. The exercise price of a future option grant will be determined by the Board of Directors on the basis of the closing market price of the Company's shares on the trading day prior to the date of issue of the option. Options may be granted for a period of up to ten years and the Board of Directors determines the vesting provisions of each option granted, which may vary. The aggregate number of shares which may be issued and sold under the Plan may not exceed 10% of issued share capital. As at 31 December, 2008 a total of 2,865,197 options remained available for grant under the Plan.

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The number and weighted average exercise prices of share options for the years ended 31 December, 2008 and 2007 is set out below:

	2008		2007	
	Out-standing (000's)	Weighted average exercise price (\$)	Out-standing (000's)	Weighted average exercise price (\$)
Balance – 1 January	10,535	0.41	6,180	0.29
Issued	3,380	0.22	500	0.52
Issued	113	0.28	255	0.45
Issued	112	0.38	200	0.68
Issued	113	0.47	4,055	0.54
Issued	112	0.57	200	0.42
Exercised	-	-	(830)	(0.30)
Lapsed	(150)	(0.22)	(25)	(0.54)
Lapsed	(870)	(0.28)	-	-
Lapsed	(200)	(0.37)	-	-
Lapsed	(180)	(0.42)	-	-
Lapsed	(375)	(0.50)	-	-
Lapsed	(350)	(0.50)	-	-
Lapsed	(200)	(0.63)	-	-
Balance – 31 December	12,040	0.36	10,535	0.41

Share options in issue at 31 December 2008:

Outstanding shares	Exercise price	Expiry
4,130,000	£0.15	31 January, 2009
500,000	£0.245/Cdn\$0.56	22 February, 2010
75,000	£0.225/Cdn\$0.56	27 February, 2010
3,655,000	£0.27/Cdn\$0.57	13 June, 2010
3,230,000	£0.12/Cdn\$0.25	4 June, 2013
112,500	Cdn\$0.30	19 June, 2010
112,500	Cdn\$0.40	19 June, 2010
112,500	Cdn\$0.50	19 June, 2010
112,500	Cdn\$0.60	19 June, 2010

The weighted average remaining contractual life of share options as at 31 December, 2008 was 645 days.

Share options held by senior management and employees at 31 December 2008:

Holder	Shares	Exercise price	Grant Date	Vesting Date	Expiry
A Williams	750,000	£0.12	5 June, 2008	5 October, 2008	4 June, 2013
	1,000,000	£0.27	14 June, 2007	14 June, 2007	13 June, 2010
	1,200,000	£0.15	1 February, 2006	15 June, 2006	31 January, 2009
J Williams	750,000	£0.12	5 June, 2008	5 October, 2008	4 June, 2013
	1,000,000	£0.27	14 June, 2007	14 June, 2007	13 June, 2010
	1,200,000	£0.15	1 February, 2006	15 June, 2006	31 January, 2009
J Cable	400,000	£0.27	14 June, 2007	14 June, 2007	13 June, 2010
	400,000	£0.15	1 February, 2006	15 June, 2006	31 January, 2009
T Bailey	400,000	£0.15	1 February, 2006	15 June, 2006	31 January, 2009

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J Crombie	500,000	£0.245	23 February, 2007	23 February, 2007	22 February, 2010
Senior management	1,000,000	£0.12	5 June, 2008	5 October, 2008	4 June, 2013
	500,000	£0.27	14 June, 2007	14 June, 2007	13 June, 2010
	500,000	£0.15	1 February, 2006	15 June, 2006	31 January, 2009
Other employees	90,000	£0.12	5 June, 2008	5 June, 2009	4 June, 2013
	90,000	£0.12	5 June, 2008	5 December, 2008	4 June, 2013
	37,500	£0.225	28 February, 2007	28 December, 2007	27 February, 2010
	37,500	£0.225	28 February, 2007	28 June, 2007	27 February, 2010
	127,500	£0.27	14 June, 2007	14 April, 2008	13 June, 2010
	127,500	£0.27	14 June, 2007	14 October, 2007	13 June, 2010
	65,000	£0.15	1 February, 2006	1 February, 2007	31 January, 2009
	65,000	£0.15	1 February, 2006	15 June, 2006	31 January, 2009
Former employees	100,000	£0.12	5 June, 2008	5 June, 2009	4 June, 2013
	100,000	£0.12	5 June, 2008	5 December, 2008	4 June, 2013
	350,000	£0.12	5 June, 2008	5 October, 2008	4 June, 2013
	250,000	£0.27	14 June, 2007	14 April, 2008	13 June, 2010
	250,000	£0.27	14 June, 2007	14 October, 2007	13 June, 2010
	150,000	£0.27	1 February, 2006	1 February, 2007	31 January, 2009
	150,000	£0.27	1 February, 2006	15 June, 2006	31 January, 2009

Share options held by consultants and third parties at 31 December 2008:

Consultants	75,000	Cdn\$0.60	20 June, 2008	20 June, 2009	19 June, 2010
	75,000	Cdn\$0.50	20 June, 2008	20 March, 2009	19 June, 2010
	75,000	Cdn\$0.40	20 June, 2008	20 December, 2009	19 June, 2010
	75,000	Cdn\$0.30	20 June, 2008	20 September, 2009	19 June, 2010
	37,500	Cdn\$0.60	20 June, 2008	20 June, 2009	19 June, 2010
	37,500	Cdn\$0.50	20 June, 2008	20 March, 2009	19 June, 2010
	37,500	Cdn\$0.40	20 June, 2008	20 December, 2009	19 June, 2010
	37,500	Cdn\$0.30	20 June, 2008	20 September, 2009	19 June, 2010

Fair value of share options and assumptions

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes model. The following inputs were used in the calculation of the fair value of the share options granted during the period.

	2008	2007
Fair value	\$2,610,000	\$2,068,000
Share price 31 December, 2007	-	\$0.525
Share price 31 December, 2008	\$0.06	-
Exercise price (expressed as weighted average)	\$0.25	\$0.40
Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes model)	62%	60%
Option life (expressed as weighted average life used in the modelling under Black-Scholes model)	2-5 yrs	2-3 yrs
Expected dividends	0%	0%
Risk-free interest rate (based on national government bonds)	4.75%	4.75%

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The expected volatility is based on the historical share price of the Arian Silver Corporation. There are no market conditions associated with the share option grants. The fair value of stock options granted for the year ended 31 December, 2008 was \$542,000 (2007 – \$1,121,000) which was expensed in the income statement.

	2008	2007
	\$'000	\$'000
Share option expenses		
Share options granted in 2007	-	1,121
Share options granted in 2008	542	-
Total expense recognised in administrative expenses	<u>542</u>	<u>1,121</u>

	2008	2007
	\$'000	\$'000
18. Trade and other payables		
Payables due to related parties	31	134
Trade payables	72	88
Other payables	152	114
	<u>255</u>	<u>336</u>

19. Financial instruments

Exposure to interest rate and 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.

Effective interest rates and deposit terms

In respect of income-earning financial assets the following table indicates their effective interest rates at the balance sheet date and the deposit terms:

	2008			2007		
	Effective interest rate	Total \$'000	Six months or less \$'000	Effective interest rate	Total \$'000	Six months or less \$'000
Call Deposits	1.43%	613	613	3.90%	2,837	2,837
		<u>613</u>	<u>613</u>		<u>2,837</u>	<u>2,837</u>

Foreign currency risk

The Group's exploration expenditure is made in Mexico in Mexican Peso and head office expenses are predominantly made in London 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.

As a result of Canadian dollar share placements, at the year end the majority of the Group's cash resources were held in Canadian dollars. The Group therefore also has downside exposure to any strengthening of the Pound Sterling, Mexican Peso or United States dollar against the Canadian dollar as this would increase expenses in Canadian dollar terms and accelerate the depletion of the Group's cash resources. Any weakening of the Pound Sterling, Mexican Peso or United States dollar against the Canadian dollar would, however, result in a reduction in expenses in Canadian dollar terms and preserve the Group's cash resources.

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In addition, any movements in Pound Sterling, Mexican Peso or Canadian dollar would affect the presentation of the Consolidated Balance Sheet when the net assets of the Mexican subsidiary and parent company in the UK are translated from their functional currencies into United States dollars.

In view of the potential significance of any strengthening of the Pound Sterling, Mexican Peso or United States dollar against the Canadian dollar, the policy of holding the majority of the Group's cash resources in Canadian dollars is kept under review.

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.

	Cash Held	Cash Held
	2008	2007
	\$'000	\$'000
Pounds Sterling	(8)	52
United States Dollars	2	191
Canadian Dollars	654	2,882
Mexican Pesos	105	9
	753	3,134

Fair values

It is the directors' opinion that the carrying values of the cash and cash equivalents, the other receivables and all trade and other payables in the balance sheet represent their fair values.

Capital Management

The Group's objective when managing capital is to safeguard the entity's ability to continue as a going concern, and develop its mining activities to provide returns for shareholders and benefits for other stakeholders.

The Group's capital structure comprises all components of equity (i.e. common share capital, share premium, retained earnings and other reserves.) At 31 December, 2008 the Group had no debt. When considering the future capital requirements of the Group and the potential to fund specific project development via debt the Directors consider the risk characteristics of all of the underlying assets in assessing the optimal capital structure.

Sensitivity Analysis

The Company has held significant Canadian dollar cash balances as its recent equity fund raisings have been in this currency. Also, its main assets and subsidiaries are held in Mexico and having a functional currency different than the presentation currency (note 2(e)), the Group's balance sheet can be affected significantly by movements in the United States dollar to the Canadian dollar and Mexico Peso.

Foreign currency risk sensitivity analysis:

	Profit/Loss		Equity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
If there was a 10% weakening of Mexican Peso against US\$ with all other variables held constant – increase/(decrease)	(38)	-	(789)	(86)
If there was a 10% strengthening of Mexican Peso against US\$ with all other variables held constant – increase/(decrease)	47	-	965	106
If there was a 10% weakening of Canadian Dollar against US\$ with all other variables held constant – increase/(decrease)	(7)	(20)	(65)	(279)
If there was a 10% strengthening of Canadian Dollar against US\$ with all other variables held constant – increase/(decrease)	7	20	65	279

Notes to the consolidated financial statements

20. Future project expenditure

The Company does not have any capital commitments at 31 December, 2008 (2007 – nil).

The Company does not have any exploration and development expenditure commitments in respect of its projects. However, the following are the material payments that will need to be made in order to maintain certain properties in good standing:

(a) In relation to the Tepal option agreement the Company is required to pay the vendor \$5 million in instalments over the five-year period through to June 2011 and will also grant the vendor a Net Smelter Return (“NSR”) of 2.5%. The Company has the right of first refusal to buy out the NSR for an unspecified amount. At 31 December, 2008, \$1,300,000 had been paid. The next option instalment of \$500,000 is due in June 2009.

(b) In relation to the San Jose option agreement the Company is required to pay the vendor \$1.5 million in instalments over the three-year period through to December 2009 and will also grant the vendor a NSR of 2%. At 31 December, 2008, \$745,000 had been paid.

The Company has the right to withdraw from the option agreements relating to Tepal and San Jose at any time during the term of each option without financial penalty.

21. Related parties

Control of the Group

In the opinion of the Directors, at 31 December, 2008 there was no ultimate controlling entity of the Group.

Identity of related parties

The Group has a related party relationship with its subsidiaries and with its Directors and executive officers.

Transactions with key management personnel

At 31 December, 2008 the Directors of the Company and their immediate relatives controlled 6.9% per cent of the voting shares of the Company.

During the year ended 31 December, 2008 the Company entered into the following transactions involving related parties:

(a) Companies in the Dragon Group charged the Company a total of \$449,147 (2007 – \$934,859) in respect of the provision of support services and accommodation as well as for reimbursable expenses incurred on behalf of the Company. Tony Williams, Chairman and a director of the Company, beneficially owns the Dragon Group. At 31 December, 2008 \$30,746 (2007 - \$nil) was outstanding.

(b) Kopane Diamond Developments PLC (“KDD”) charged the Company a total of \$18,374 (2007 – \$105,386) in respect of the reimbursement of certain directors’ remuneration paid on behalf of the Company. The Company charged KDD \$24,523 (2007 – nil) for the provision of accounting support services. James Cable and Tony Williams are Directors of the Company and KDD. At 31 December, 2008 \$nil (2007 - \$nil) was outstanding to KDD. However, \$10,111 (2007 - \$nil) was outstanding from KDD.

Transactions with subsidiaries were as follows:

The Company made loans to Arian Silver de Mexico S.A. de C.V. (“Arian Mexico”) of \$2,813,992 (2007 – \$4,332,246) and paid charges on behalf of Arian Mexico of \$138,821 (2007 – \$40,849). A management fee of \$7,240 was also charged to Arian Mexico (2007 – \$10,352).

These transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Executive officers also participate in the Group’s share option programme as disclosed in note 17.

Key management personnel compensation is disclosed in note 6.

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Directors interests in the common shares of the Company as at 31 December, 2008 and 2007:

	2008	2007
A J Williams	2,000,000	2,000,000
J T Williams	6,800,000	6,800,000
J A Crombie	1,500,000	Nil

During the year, the only change in the Directors' share interests was the purchase of 1,500,000 common shares of the Company by J A Crombie.

22. Post-balance sheet events

Transactions with Grafton Resource Investments Ltd ("Grafton")

On 27 January, and 5 February, 2009, the Company announced the terms of a proposed share exchange transaction with Grafton. The transaction comprised two parts:

Part 1

On 26 February, 2009 the Company announced that it had issued 26,097,230 common shares to Grafton at Cdn\$0.055 per share (equating to approximately Cdn\$1,435,347) and Grafton had issued to the Company 26,322 participating shares (equating to approximately Cdn\$1,435,347 determined by reference to the net asset value per Grafton ordinary share of \$43.98 as at the close of business on 30 January, 2009).

As a result of this transaction, Grafton held 14.9% of the Company's outstanding common shares calculated as at that date. Grafton also had the right to nominate a director to the Board of Directors of the Company.

Part 2

On 17 April, 2009 the Company announced that it had issued a further 82,993,679 common shares to Grafton at Cdn\$0.055 per share (equating to approximately Cdn\$4,564,653) and Grafton had issued to the Company 102,269 participating shares (equating to approximately Cdn\$4,564,653 determined by reference to the net asset value per Grafton ordinary share of \$36.93 as at the close of business on 31 March, 2009).

As a result of this transaction Grafton's interest in the Company increased to 109,090,909 common shares (approximately 42.2%).

It is planned that the 128,591 Grafton participating shares (the "Grafton Shares") held by the Company will be placed for cash with third parties by Grafton and its associates in order to raise working capital finance for the Company. It is anticipated that the placing of the Grafton Shares will take place in the near future following the listing of Grafton on the Dublin Stock Exchange. The principals of Grafton and their associates have experience in providing funding for junior mining and exploration companies using this type of transaction and the Company is reliant on them being able to replicate this experience to provide new funding required by the Company.

As a result of these share issues the share capital of the Company comprises 258,142,878 common shares of no par value each with voting rights.

In March 2009 Grafton advanced \$300,000 to the Company for working capital purposes which enabled the Company to pay a \$250,000 option instalment due that month in relation to the San Jose Project. This advance is interest free and is repayable from the first proceeds from the disposal of the Grafton Shares held by the Company. Grafton has agreed to make available a further advance of \$250,000 in early May to the Company on similar terms for working capital purposes.

Variation to terms of outstanding share purchase warrants

At 31 December, 2008 the Company had outstanding:

1 2,727,250 common share purchase warrants exercisable at Cdn\$0.65 per share and expiring 1 August, 2009 (the "B Warrants"); and

2 6,046,000 common share purchase warrants exercisable at Cdn\$0.35 per share and expiring 29 November, 2009 (the "C Warrants").

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On 21 April, 2009 the Company announced that warrant holders had approved proposals to vary the terms of the B and C warrants (the "Warrants Variation") as follows:

(a) re-pricing 1,363,625 of the B Warrants so that they are exercisable at Cdn\$0.07 per share and varying the exercise period of such warrants so that they expire on the date that is three months following receipt by the Company of approval of the Warrants Variation provided that where the closing price of the common shares of the Company listed on the TSX Venture Exchange ("TSXV") exceeds Cdn\$0.0875 for any period of ten (10) consecutive trading days (the "Premium Trading Days"), the expiry date of such warrants shall be accelerated such that these warrants will expire at 5:00 p.m. (London, United Kingdom time) on the 30th calendar day after the date which is seven (7) calendar day after the 10th Premium Trading Day;

(b) re-pricing 1,363,625 of the B Warrants so that they are exercisable at Cdn\$0.10 per share and varying the exercise period of such warrants so that they expire on 31 December, 2009 provided that where the closing price of the common shares of the Company listed on the TSXV exceeds Cdn\$0.125 for any period of ten (10) consecutive trading days (the "Premium Trading Days"), the expiry date of such warrants shall be accelerated such that these warrants will expire at 5:00 p.m. (London, United Kingdom time) on the 30th calendar day after the date which is seven (7) calendar day after the 10th Premium Trading Day.

(c) re-pricing 3,023,000 of the C Warrants so that they are exercisable at Cdn\$0.07 per share and varying the exercise period of such warrants so that they expire on the date that is three months following receipt by the Company of approval of the Warrants Variation provided that where the closing price of the common shares of the Company listed on the TSXV exceeds Cdn\$0.0875 for any period of ten (10) consecutive trading days (the "Premium Trading Days"), the expiry date of such warrants shall be accelerated such that these warrants will expire at 5:00 p.m. (London, United Kingdom time) on the 30th calendar day after the date which is seven (7) calendar day after the 10th Premium Trading Day; and

(d) re-pricing 3,023,000 of the C Warrants so that they are exercisable at Cdn\$0.10 per share and varying the exercise period of such warrants so that they expire on 31 December, 2009 provided that where the closing price of the common shares of the Company listed on the TSXV exceeds Cdn\$0.125 for any period of ten (10) consecutive trading days (the "Premium Trading Days"), the expiry date of such warrants shall be accelerated such that these warrants will expire at 5:00 p.m. (London, United Kingdom time) on the 30th calendar day after the date which is seven (7) calendar day after the 10th Premium Trading Day.

San Jose Project

In March 2009 the Company renegotiated the terms of the San Jose Project option agreement such that Company's interest has been converted to an ownership interest in the San Jose Project. Subject to completion of legal and registration formalities Arian will own a 66.67% controlling interest in the San Jose Project mineral concessions with the right to take 100% ownership on payment of the final instalment of \$500,000 which is due in December 2009. Under the original terms of the option agreement Arian would have only obtained an ownership interest in the San Jose Project mineral concessions on completion of all option payments and would have forfeited all rights in the event of failure to pay any instalment.