ARIAN SILVER CORPORATION

ANNUAL REPORT AND ACCOUNTS 2013

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STOCK EXCHANGES	AIM Market of the London Stock Exchange TSX Venture Exchange Frankfurt Stock Exchange
TRADING SYMBOLS	AIM: AGQ (stock is quoted in pounds sterling) TSX-V: AGQ (stock is quoted in Canadian dollars) Frankfurt: I3A (stock is quoted in euros)

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") has been prepared based on information available to Arian Silver Corporation ("Arian" or the "Company") as at 19 March 2014 and compares its fourth quarter and consolidated 2013 financial results with the previous year. This document should be read in conjunction with the Company's audited Consolidated Financial Statements and the related notes which are available on SEDAR at www.sedar.com or the Company's website at www.ariansilver.com.

The audited Consolidated Financial Statements and related notes have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts referred to in this document are expressed in United States dollars, unless specifically stated otherwise.

Arian is a publicly quoted silver exploration, development and production company, operating in one of the richest silver-bearing districts in the world, Zacatecas State, Mexico. The Company is committed to mining existing silver areas, and to exploring new opportunities. Arian's current main project is in San José, Zacatecas State.

The Company's strategy is to:

- establish a silver mining business capable of sustaining two million ounces per annum, and
- build shareholder value by expanding silver resources on the Company's mining concessions in Zacatecas, Mexico.

The Company is incorporated in the British Virgin Islands and its common shares are listed for trading on the TSX Venture Exchange and depository receipts are traded on the London Stock Exchange's AIM market. The Company's headquarters are in Berkeley Square, London.

Forward-looking statements

Certain information contained herein constitutes forward-looking statements. Forward-looking statements are frequently characterised by words such as "plan", "expect", "forecast", "project", "intend", "believe", "anticipate", "expect", "outlook" and other similar words or statements that certain events or conditions "may" or "will" occur.

Forward-looking statements are based on the opinions and estimates of management at the dates the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements.

These factors include the inherent risks involved in exploration and development, and mining of mineral properties, the uncertainties involved in interpreting drilling results and other geological data, fluctuating metal prices, the possibility of project cost overruns or unanticipated operating costs and expenses, uncertainties related to the necessity of financing, the availability of and costs of financing needed in the future, and other factors described in this document under the heading "Risk Management".

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 (including, without limitation, statements relating to the mineral resource estimates, statements regarding the San José Project (the "SJ Mining Operation"), the ability of the Company to achieve, maintain and possibly increase planned levels of production from the SJ Mining Operation, the ability of the Company to generate positive cash flow from the SJ Mining Operation, the ability to continue or implement proposed drilling programmes on the San José vein system and the Company's exploration, development and production plans and objectives).

These forward-looking statements reflect the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking statements are subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements, and even if such actual results are realised or substantially realised, there can be no assurance that they will have the expected consequences to, or effects on the Company. Factors that could cause actual results or events to differ materially from current expectations include, among other things, the performance of contractors and plant and equipment engaged in relation to the SJ Mining Operation, failure to achieve anticipated production levels and mineral grades for ore from the SJ Mining Operation, failure to establish estimated mineral reserves, the possibility that future exploration results will not be consistent with the Company's expectations, uncertainties relating to the availability and costs of financing needed in the future, changes in the silver commodity price, changes in equity markets, political developments in Mexico, changes to regulations affecting the Company's activities, delays in obtaining or failures to obtain required regulatory approvals, the uncertainties involved in interpreting exploration results and other geological data, and the other risks involved in the mineral exploration and development industry. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.

The mineral resource figures disclosed in this MD&A are estimates and no assurances can be given that the indicated levels of minerals will be produced. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While the Company believes that the resource estimates included in this MD&A are well established, by their nature resource estimates are imprecise and depend, to a certain extent, upon statistical inferences, which may ultimately prove unreliable. If such estimates are inaccurate or are reduced in the future, this could have a material adverse impact on the Company.

Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that mineral resources can be upgraded to mineral reserves through continued exploration.

Qualified persons

Mr Jim Williams, Eur Ing, Eur Geol, BSc, MSc, D.I.C., FIMMM, the Chief Executive Officer of Arian, a "Qualified Person" as defined in the AIM Rules of the London Stock Exchange, and a "Qualified Person" as such term is defined in Canadian National Instrument 43-101 (“NI 43-101”), has reviewed and approved the technical information in MD&A other than the mineral resource estimates referred to herein.

OVERALL PERFORMANCE

This past year has seen Arian take great strides towards becoming a medium-sized silver producer.

In the early part of the year, Arian pursued the resumption of toll milling operations until this was terminated in June against the backdrop of the anticipated acquisition of a suitable second-hand custom processing plant.

On 29 August 2013 the Company issued a $15.6 million convertible note ("Note" or "Convertible Note") and simultaneously acquired the El Bote processing plant ("El Bote" or the "Plant") for $3.12m. This was a significant step for the Company as it enabled the elimination of its reliance on third-party toll millers and is expected to provide significantly increased operational control and efficiency, which should translate into reduced operational costs and superior metal recoveries.

Since acquiring the Plant, Arian has been focussed on its refurbishment, making preparations for its relocation to the Company's San José project site, and developing the San José mine to prepare for the increase in production capacity.

Summary Financial Information

	Annual 2013 $000s	Annual 2012 $000s	Change $000s
Revenue	129	4,588	(4,459)
Gross loss	(564)	(764)	200
Net loss for the period	(1,611)	(4,031)	2,420
Cash and cash equivalents	7,241	491	6,750
Total assets	28,366	14,119	14,247

The decrease in revenue on 2012 results reflects the termination of toll milling operations in June 2013.

The net loss for the period reduced year-on-year due to the gain recognised in relation to the fair value adjustment of the derivative liability element of the Note and was offset by the transaction costs relating to the Convertible Note, a foreign exchange loss and an increase in the fair value adjustment for share based payments.

Cash and cash equivalents increased since 31 December 2012 following the issue of the Convertible Note and drawdowns of the Company's Standby Equity Distribution Agreement ("SEDA") facility.

Total assets increased since 31 December 2012 primarily due to the increase in cash at bank, and the acquisition of the El Bote processing plant.

A 7.5% royalty on taxable profits and a 0.5% net smelter royalty were introduced in Mexico with effect from 1 January 2014. These taxes have not been incurred by Arian Silver to date, and other mining companies operating in similar areas are currently challenging the application of these taxes. Advice received from Arian's external Mexican legal advisers indicates the Company has a strong legal case to challenge the application of these royalties.

REVIEW OF OPERATIONS

San José project, Zacatecas State

Overview

The 100%-owned San José property lies 55 kilometres to the southeast of the city of Zacatecas and covers eight mining concessions totalling approximately 6,134 hectares. The property has significant infrastructure, including a 4x5 metre main haulage ramp extending more than 4.0 kilometres along the footwall of the San José Vein system, and a 350 metres deep, 500 tpd vertical shaft with an operational hoist. In addition, a number of shallower vertical shafts are located in a westerly direction along the vein.

			2013		
	Full Year	**Q4**	**Q3**	**Q2**	**Q1**
Production information summary for San José mine					
Head grade (mill): Ag grams per tonne (g/t)	**189**	-	-	191	174
Tonnes mined	**14,501**	8,057	1,816	4,628	-
Tonnes milled	**3,479**	-	-	3,221	258
Ag concentrate tonnes produced	**47**	-	-	43	4
Recovery %	**42.74**	-	-	41.42	60.90
Ag ounces produced	**9,058**	-	-	8,180	878
Ag ounces per concentrate tonne produced	**194**	-	-	190	251
Ag ounces sold	**9,058**	-	-	9,058	-
Ag concentrate tonnes sold	**37**	-	-	37	-
Quarter end inventory balances					
Mined tonnes stockpile	**27,015**	27,015	18,958	17,142	17,935
Ag concentrate inventory tonnes	-	-	-	4	4
Ag ounces included in concentrate inventory	-	-	-	1,204	878

			2012		
	Full Year	**Q4**	**Q3**	**Q2**	**Q1**
Production information summary for San José mine					
Head grade (mill): Ag grams per tonne (g/t)	**177**	-	-	181	173
Tonnes mined	**51,893**	-	4,072	26,268	21,553
Tonnes milled	**53,297**	-	-	28,903	24,394
Ag concentrate tonnes produced	**600**	-	-	298	302
Recovery %	**53.88**	-	-	58.74	49.01
Ag ounces produced	**165,304**	-	-	98,616	66,688
Ag ounces per concentrate tonne produced	**275**	-	-	331	221
Ag ounces sold	**177,960**	-	8,937	93,112	75,911
Ag concentrate tonnes sold	**648**	-	32	286	330
Quarter end inventory balances					
Mined tonnes stockpile	**18,192**	18,192	18,204	15,003	17,637
Ag concentrate inventory tonnes	-	-	-	36	24
Ag ounces included in concentrate inventory	-	-	-	11,276	5,772

During the first half of 2013, mining activities at San José were conducted to supply the toll milling operations at Juan Reyes. When that toll milling agreement was terminated, mining activities then slowed, until the El Bote processing plant was purchased, from which time mine development began to accelerate to ensure mine capacity would be sufficient to supply El Bote following its commissioning.

No tonnes were milled in the second half of 2013 due to the suspension of production at the Juan Reyes plant.

The stockpile of mined ore was higher at the end of 2013 than at the equivalent time in 2012 as the milling of mined ore ceased in June 2013. This stockpiled ore will be processed once production commences at the refurbished plant.

	Fourth Quarter 2013	Fourth Quarter 2012	Annual 2013	Annual 2012	Change
Head grade - Ag grams per tonne	-	-	189	177	7%
Tonnes mined	8,057	-	14,501	51,893	(72%)
Tonnes milled	-	-	3,479	53,297	(93%)
Silver concentrate tonnes produced	-	-	47	600	(92%)
Silver ounces produced	-	-	9,058	165,304	(94%)
Silver ounces per concentrate tonne produced	-	-	194	275	(29%)
Silver ounces sold	-	-	9,058	177,960	(95%)
Silver concentrate tonnes sold	-	-	37	648	(94%)

Mining

Mining continued at the San José mine in Q4 2013 in preparation for the resumption of milling activities at the refurbished Plant in late 2014.

Milling

In the early part of the year, Arian pursued the resumption of toll milling operations at the Juan Reyes processing plant. This was terminated in June 2013 with the mutual consent of the owner of the plant, against the backdrop of the anticipated acquisition of a suitable second-hand custom processing plant.

In August 2013, the Company acquired the El Bote Processing Plant and commenced its refurbishment in situ. Upon completion of the refurbishment, it is planned that the plant will be dismantled, transported and installed in a modular manner at the Company's 100%-owned site adjacent to the San José mine. An internal team is leading the refurbishment of the Plant to ensure the Company has the control necessary to ensure the project is performed to a suitable standard and in the most cost-efficient manner. Third parties will be utilised in the development of the necessary site works, tailings dam and electrical infrastructure for the plant.

The Plant is currently located approximately 60 kilometres from the site of the San José mine and is comprised of a crushing circuit with a reported throughput of 150 tonnes per hour, a grinding circuit of four ball mills, two flotation circuits, thickening tanks and filters.

It is anticipated that the Plant will be commissioned towards the end of 2014 with an initial capacity expected of 750 tonnes per day "tpd" after which, the Plant will be expanded to 1,500 tpd.

Exploration Assets

During the year, three of the Company's concessions representing 145 hectares, which were not considered to hold mineralisation and which were outside the mineralisation trend, have been cancelled. The cancellation of these concessions does not impact the Company's NI 43-101 mineral resource estimate and the Company now holds 28 mineral concessions in Mexico totalling 7,822 hectares as set out below.

Project Name	No. of Concessions	Area in hectares ("ha")
San José	8	6,134
Calicanto	7	75
Others	13	1,536
Total	**28**	**7,745**

No exploration took place during the year. The Company's proposed fifth exploration phase is now planned to take place after the Plant has been successfully commissioned and the San José Project is generating positive cash flow.

Information on Arian's exploration assets are contained in a technical report prepared by A.C.A. Howe International Limited dated 20 March 2006 and entitled "Technical Report on the Calicanto and San Celso Projects, Zacatecas, Mexico". A copy of this report is available on the Company's website www.ariansilver.com or on SEDAR at www.sedar.com.

REVIEW OF FINANCIAL RESULTS

Selected Annual Information

	Annual 2013 $'000	Annual 2012 $'000	Annual 2011 $'000	Change 2013-12 $'000	Change 2013-12
Revenue	129	4,588	7,467	(4,459)	(97%)
Cost of sales	(693)	(5,352)	(6,655)	4,659	87%
Gross (loss)/profit	(564)	(764)	812	200	26%
Operating (loss)/profit	(1,567)	(3,958)	(10,510)	2,391	60%
Net investment (loss)/profit	(44)	(73)	(460)	29	40%
Net (loss)/profit for the period	(1,611)	(4,031)	(10,970)	2,420	60%
Basic and diluted (loss)/profit per share $	($0.05)	($0.13)	($0.37)	$0.08	62%
Intangible assets	1,168	1,176	1,093	(8)	(1%)
Property, plant and equipment	17,651	10,405	8,082	7,246	70%
Trade and other receivables	1,326	1,206	1,890	120	10%
Cash	7,241	491	3,991	6,750	1,375%
Inventories	980	644	922	336	52%
Financial assets held for sale	-	197	272	(197)	(100%)
Total assets	28,366	14,119	16,250	14,247	101%
Convertible Note liability	(11,170)	-	-	(11,170)	(100%)
Total non-current financial liabilities	(187)	(177)	(170)	(10)	(6%)
Shareholders' equity	(15,784)	(13,003)	(14,909)	(2,781)	(21%)

Revenue
Revenues comprised sales of silver concentrate, which decreased by 97% to $0.1m (2012: $4.6m) as a result of the suspension of production and the lower silver price.

Cost of sales
Cost of sales decreased by 87% to $0.7m (2012: $5.4m) mainly on account of lower sales volumes.

Gross (loss)/profit
A gross loss of $0.6m (2012: $0.8m) was mainly due to the lower silver price and lower levels of production.

Operating loss
The operating loss decreased by $2.4m or 60% to $1.6m (2012: $4.0m), mainly on account of the $3.5m gain on the fair value adjustment of the derivative liability relating to the Convertible Note (this is due to the lower value of the derivative liability based on the lower share price and the less likelihood of the conversion being exercised), offset by $1.1m additional expenditure comprising $0.5m transaction costs incurred upon the issue of the Convertible Note, $0.4m in foreign exchange loss and $0.2m increase for the fair value adjustment relating to share based payments.

Net loss
Net loss decreased by $2.4m, or 60% to $1.6m (2012: $4.0m) on account of the reduction in the operating loss.

Total assets
Total assets increased by 101% to $28.4m (2012: $14.1m) primarily due to $6.2m in capitalised costs relating to the new El Bote processing plant, a $1.2m investment in development at the San José mine and a $6.8m increase in cash.

Convertible Note
The Effective Interest Method employed to account for the Convertible Note liability requires the notional interest charge to be apportioned throughout the period from the initial recognition of the Note through to its maturity, at which time a balance of $16.4m will be owing, comprising the $15.6m principal together with the additional 5% premium to be repaid upon maturity of the Note in the event it is not converted.

Shareholders' equity
Shareholders' equity increased by $2.8m or 21% to $15.8m (2012: $13.0m). This increase reflects a $3.8m net increase from share and option issuances, and a $0.6m increase in foreign exchanges reserves, offset by a $1.6m net loss for the year.

Quarterly results

Unaudited	2013 Q4 $'000	2013 Q3 $'000	2013 Q2 $'000	2013 Q1 $'000	2012 Q4 $'000	2012 Q3 $'000	2012 Q2 $'000	2012 Q1 $'000
Revenue	-	-	129	-	34	136	2,104	2,314
Cost of sales	(49)	(25)	(413)	(206)	(256)	(475)	(2,242)	(2,379)
Gross (loss) / profit	(49)	(25)	(284)	(206)	(222)	(339)	(138)	(65)
Net investment (loss)/profit	1	44	(68)	(21)	(84)	57	(127)	81
Net (loss)/profit for the period	(583)	875	(947)	(956)	(1,156)	(968)	(1,133)	(774)
Basic and diluted loss per share	($0.02)	$0.03	($0.03)	($0.03)	($0.04)	($0.03)	($0.04)	($0.03)
Total assets	28,366	27,361	14,582	15,154	14,119	14,409	15,021	16,732
Total non-current financial liabilities	(187)	(185)	(182)	(186)	(177)	(175)	(172)	(171)
Shareholders' equity	(15,784)	(15,717)	(13,414)	(13,971)	(13,003)	(13,464)	(13,647)	(15,370)

Q4 2013 v Q3 2013

The gross loss of $49k was $24k higher than Q3 mainly due to the write back of inventory in Q3 as a result of a marginally improved silver price. The net loss for Q4 of $0.6m was $1.5m lower than Q3 mainly on account of the fair value adjustment relating to the derivative liability.

Total assets increased by $1.0m to $28.4m after investment of $2.3m in the Plant, a $0.3m investment in the San José mine, a $0.3m increase in trade and receivables due from the Mexican authorities in relation to sales good taxes recoverable, and a $0.1m increase in inventories offset by a decrease in cash of $2.0m to $7.2m.

Q3 2013 v Q2 2013

The Q3 gross loss of $25k was $0.2m lower than the second quarter, mainly as a result of the suspension of production due to the volatility in the silver price. The net profit for Q3 of $0.9m was $1.8m higher than Q2 mainly due to the $2.5m gain from the fair value adjustment over the derivative liability relating to the Convertible Note, offset by related transaction costs and a foreign exchange loss.

Cash available at the end of Q3 of $9.3m was $8.6m higher than Q2 attributable to the proceeds from the Convertible Note.

Q2 2013 v Q1 2013

The Q2 gross loss of $0.3m and the net loss for Q2 2013 of $0.9m were in line with the previous quarter.

Q1 2013 v Q4 2012

The gross loss of $0.2m for Q1 2013 was in line with the gross loss reported in the previous quarter. The net loss for Q1 2013 of $1m was $0.2m lower than that for Q4 2012 due to administrative expenses being $0.1m lower and the investment loss being $0.1m lower.

An increase in shareholders' equity of $1m was attributable to the increase of $1.3m share capital resulting from the SEDA drawdown, an increase of $0.6m in the value of the foreign exchange reserve, offset by the net loss of $0.9m for the period.

Q4 2012 v Q3 2012

Revenue during Q4 and Q3 was generated from the sale of silver concentrate from the San José mining operation.

The gross loss reduced on account of reduced expenditure on mining operations; the net loss increased in Q4 compared to Q3 following the revaluation of Geologix shares.

Total assets decreased by $0.3m to $14.1m; cash decreased by $0.4m to $0.5m and financial assets held for sale relating to the Geologix shares reduced by $0.1m. This was offset by an increase of $0.2m investment in development of the San José mine.

Shareholders' equity reduced $0.5m on account of the $1.2m net loss and $0.1m increase in foreign exchange translation reserves, offset by the increase of $0.8m share capital raised through the SEDA.

Q3 2012 v Q2 2012

A gross loss of $0.3m was reported in the third quarter, $0.2m higher than the second quarter, mainly as a result of lower revenues resulting from the suspension of processing of mined ore. The net loss in the period of $1m was $0.1m less than for the previous quarter due to the increase in value of the Geologix shares received as partial payment for the disposal of the Tepal property.

Cash decreased by $0.5m to $0.9m largely as a result of investment in the development of the San José mine. The decrease in shareholders' equity of $0.2m was largely attributable to the movement in the foreign exchange reserve and the loss for the period.

Q2 2012 v Q1 2012

A gross loss of $0.1m was reported in the second quarter broadly in line with the first quarter. The net loss of $1.1m in the period was $0.3m higher than for the previous quarter mainly due to a $0.1m non-cash charge for the fair value of share options vesting that were issued in the quarter, and $0.2m for the reduction in value of the Geologix shares received as partial consideration for the disposal of the Tepal property.

Cash decreased by $1.4m to $1.4m largely as a result of investment in the development of the San José mine. The decrease in shareholders' equity of $1.7m was largely attributable to the net loss (of $1.1m) and movement in the foreign exchange reserve for the period.

Subsequent events

On 14 January 2014 the Company granted 50,000 share options under the Company's share option plan. These share options are exercisable at £0.325 or C$0.57624 per share up to 13 January 2018.

Liquidity, working capital and capital resources

Liquidity

At 31 December 2013 the Company had cash and cash equivalents of $7.2m (2012: $0.5m) and working capital deficiency of $2.8m.

Cash and cash equivalents increased by $6.7m during 2013 as a result of $12.2m proceeds from the Convertible Note, and $3.3m proceeds from the issue of share capital, offset by $4.6m used in operating activities, $3.6m investment in the purchase and refurbishment of the El Bote plant, $1.2m investment in mine development at the San José mine and $0.5m foreign exchange loss.

Working capital

Current assets

- Cash and cash equivalents of $7.2m (2012: $0.5m) increased by $6.7m as a result of proceeds from the Convertible Note, funds from the issue of shares in connection with the SEDA drawdown, sale of Geologix shares offset by monies spent on the El Bote refurbishment and the development of the San José mine.
- Trade and other receivables of $1.3m (2012: $1.2m) increased marginally due to an increase in receivables relating to IVA (Mexican sales tax).
- Inventories of $1.0m (2012: $0.6m) increased as mining continues at the San José mine.
- Other financial assets held at fair value through the profit and loss account of $nil (2012: $0.2m), the Geologix shares were sold during the year.

Current liabilities

- Trade payables $1.2m (2012: $0.9m) increased by $0.3m.

Capital resources

Convertible Note

On 29 August 2013, the Company issued a convertible note instrument raising $15.6m before transaction costs, with Platinum Long Term Growth VIII, LLC. The instrument is convertible in whole or in part at the option of the note holder at a conversion price of C$1.10. The Note will mature at a premium of 5% if not otherwise converted before 29 August 2014. On closing, the Company prepaid the full interest of 14%. This facility was entered into to fund the purchase, refurbishment, transportation and reassembly of the Plant, and the development of the San José mine.

Standby Equity Distribution Agreement ("SEDA")

The Company announced on 27 September 2012 it had signed a three year £5m standby equity distribution agreement with YA Global Master SPV Ltd, an investment fund managed by Yorkville Advisors Global, L.P. The SEDA allows the company to draw down funds in exchange for the issue of shares in the Company.

Under the terms of the SEDA, equity is issued at 95 per cent of the prevailing market price over a pricing period of between 5 and 20 days. The amount of each drawdown may not exceed 400 per cent of the average daily trading volume of shares multiplied by the volume weighted average price on AIM for the five trading days prior to the drawdown request.

Use of the facility is entirely at the discretion of the Company and there are no penalties for not drawing down on the facility.

During the year, the Company issued shares equivalent to 2,876,035 post-consolidation shares under the terms of the SEDA, for an aggregate of £2.3m.

Share options

As at 31 December 2013, the following share purchase options were outstanding, each entitling the holder to acquire one common share of the Company:

2,231,000 share purchase options with exercise prices ranging from £0.55 to £4.925 or C$1.00 to C$7.90 expiring on various dates up to January 2019.

On 14 January 2014, options over 50,000 shares were granted at a price of £0.325 or C$0.57624.

Future commitments

The following table discloses the contractual obligations for the Company as at 31 December 2013:

	Less than 1 year	**Total**
	$'000	**$'000**
Building lease	74	74

Off-balance sheet arrangements

The Company has no off-balance sheet arrangements.

Transactions between related parties

At 31 December 2013 the directors of the Company and their immediate relatives controlled approximately 2.6% (2012: 2.8%) of the voting shares of the Company.

During the year ended 31 December 2013 the Company entered into the following transactions involving key management personnel:

Companies in the Dragon Group charged the Company a total of $121,498 (2012: $123,083). This relates to the reimbursement of Tony Williams' remuneration paid on behalf of the Company. Tony Williams, Chairman and a director of the Company, beneficially owns the Dragon Group. At 31 December 2013, $10,672 (2012: $20,910) was outstanding.

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

The option grant fee is repayable by SGL to Arian together with interest payable at a rate of 10% per annum in the event that Arian elects not to proceed with a Transaction. Interest accrued during the year ended 31 December 2013 amounts to $3,780 (2012: $nil). As at 31 December 2013, $203,780 (2012: $nil) was owed to Arian by SGL.

Tony Williams is a director and shareholder of SGL.

Directors' interests in the common shares of the Company as at 31 December 2013 and 2012 were:

	2013	**2012**
A J Williams	220,000	220,000
J T Williams	480,000	480,000
J A Crombie	150,000	150,000
T A Bailey	-	200

Critical accounting estimates

The preparation of financial statements in conformity with IFRS requires the Company to select from possible alternative accounting principles and to make estimates and assumptions that determine the reported amount of assets and liabilities at the balance sheet date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained and are subject to change. The Company's accounting policies are considered appropriate in the circumstances, but are subject to judgements and uncertainties inherent in the financial reporting process.

The following section discusses the critical accounting estimates and assumptions that management has made and how they affect the amounts reported in the consolidated financial statements. We consider these estimates to be an important part of understanding our consolidated financial statements.

Going concern

The directors regularly review cash flow forecasts to determine whether the Company and its subsidiaries (together referred to as the "Group") have sufficient cash reserves to meet future working capital requirements and commitments, and to fund future expansion projects and business opportunities.

At 31 December 2013 the Company had a working capital deficiency of $2.8m.

On the 29 August 2013 the Company raised $15,585,000 through the issuance of a Convertible Note. The senior secured Convertible Note is convertible at C$1.10 at the option of the note holder, and if not converted, will mature at a premium of 5% on 28 August 2014.

The Group is currently developing opportunities to refinance the Convertible Note, which may comprise one or more of, the issue of new equity, debt finance and alternative financing arrangements, to source funds on more attractive terms and to more adequately fund the expansion of the Company's operations.

In September 2012, the Group entered into a £5m SEDA with Yorkville. The SEDA entitles the Group to drawdown funds in exchange for the issue of shares at a price based on the Company's market price. At 31 December 2013, £2.2m remained available to draw down against the SEDA facility.

In the past the Group has been successful at raising funding, however there can be no assurance that the Group will be able to raise funds in the future.

The directors currently believe the Group has adequate financial resources or access to such resources in order to continue to prepare the Company's financial statements on a going concern basis. However, if the Company is unsuccessful in raising future funding it may not be able to meet its on-going 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 and other assets would be required to be reviewed.

Resource Properties, Deferred Exploration and Development Costs

All costs related to the exploration of mineral properties are capitalised until either the properties are brought into production, at which time they are amortised over the estimated life of the project, or until the properties are sold, or title rights allowed to lapse, or are abandoned or determined not to be commercially viable, at which time they are charged to the income statement.

The amounts capitalised at any time represent costs to be charged to operations in future and do not necessarily reflect the present or future values of particular properties. The recoverability of the carrying values of exploration properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete development and future profitable production therefrom, or alternatively, upon the Company's ability to dispose of its interests on an advantageous basis.

Management is of the view that the current policy is appropriate for the Company at this time and is consistent with many other public mineral exploration and development companies in the UK and Canada. Shareholders are advised that carrying values are not necessarily indicative of present or future values. The Company assesses whether impairment exists in any of its exploration projects and writes down that project to its estimated recoverable value when such impairment is found to exist. Any write down is recorded as an expense in the Company's income statement in the financial statements for the relevant period.

Share based payments

The share option programme allows Company 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 the grant date and spread over the period until the share purchase 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.

Revenue recognition

Revenue from sales of metal concentrate is recognised when title transfers and the rights and obligations of ownership pass to the customer. The Company's sales of concentrate are made under pricing arrangements where final sales prices are determined by quoted market prices in a period subsequent to the date of sale. In these circumstances, revenue from sales is recorded at the time of the sale based on forward prices for the expected date of final settlement. Subsequent variations in prices are recognised as revenue adjustments as they occur.

In a period of extreme and unusual price volatility, the effect of mark-to-market price adjustments related to the quantity of metal which remains to be settled with independent smelters could be significant.

Derivative liability

The conversion option of the Convertible Note has been treated as an embedded derivative because it does not meet the definition of equity.

On initial recognition, the fair value of the derivative liability is established using a Monte Carlo simulation valuation model. Subsequently, the derivative liability is fair valued at each reporting date and changes in the fair value are taken directly to the profit or loss. The derivative liability is impacted by market risk and foreign exchange rate risk.

Inventories

Concentrates and stockpiled ore are valued at the lower of the average production costs or net realisable value. The assumptions used in the valuation of those inventories included estimates of metal contained in stockpiled ore, assumptions of the amount of metal that is expected to be recovered, assumptions of the smelting terms as well as assumptions of the metal prices and exchange rates expected to be realised when the metals are recovered. If these estimates or assumptions prove to be inaccurate the Company could be required to write-down the recorded value of its inventories, which would reduce the Company's earnings and working capital. Net realisable value is determined with reference to market prices.

Changes in accounting policies including initial adoption

In order to comply with International Financial Reporting Standards as issued by the International Accounting Standards Board, the Group has chosen early adoption of IFRS 10, 11 and 12, however these do not have a material impact on the financial statements.

RISK MANAGEMENT

Financial Risks

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk for Arian comprises two types of risk: currency risk and price risk.

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. Arian does not hedge its exposure to price risk.

Currency risk

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

At the year end the majority of the Company's cash resources were held in US dollars. The Company therefore also has downside exposure to any strengthening of the pound sterling, the Canadian dollar or the Mexican peso against the US dollar as this would increase expenses in US dollar terms and accelerate the depletion of the Company's cash resources. Any weakening of the pound sterling, the Canadian dollar 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.

Liquidity risk
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 2013, the Company had cash of $7,241,000 to settle accounts payable of $1,173,000. 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. Once the Company resumes production, it is expected that the Company will generate sufficient cash from the sale of concentrates and funds raised from investors to settle operating accounts payable.

Credit risk
Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's credit risk is attributable to cash and trade receivables. The credit risk on cash is limited because the Company invests its cash in deposits with well capitalised financial institutions with strong credit ratings. Credit risk attributable to trade receivables is managed by way of off-take agreements.

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.

Other risk factors
The financing, exploration, development and exploitation of the Company's properties and the operations of the Company's business are subject to a number of risk factors, including metal prices, laws and regulations, political conditions, currency fluctuations, hiring qualified people and obtaining necessary services in jurisdictions where the Company operates.

The Company is subject to a number of risk factors inherent in the nature of the mining business in which it is engaged, not least are adverse movements in commodity prices, which are impossible to reliably forecast. The Company seeks to mitigate this risk, as far as practicable, by selecting mining areas on the basis of their recognised geological potential to host economic deposits.

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

Mining concessions and title
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.

Whilst the Company has received legal opinions in respect of title 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.

Nature of mineral exploration and mining
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. The Company's projects are not in production and no assurance can be given that any exploration programme will result in any new commercial mining operation or in the discovery of new resources.

The exploration and development of mineral deposits involves significant financial risks over a prolonged period of time, which even a combination of careful evaluation, experience and knowledge may not eliminate. While discovery of a mineral structure may result in substantial rewards, few concessions which are explored are ultimately developed into producing mines. Major expenditure may be required to establish reserves by drilling and to construct mining and processing facilities at a site. It is impossible to ensure that preliminary feasibility studies or full feasibility studies on the Company's projects or the current or proposed exploration programmes on any of the concessions in which the Company has rights or is negotiating rights will result in a profitable commercial mining operation.

The Company's operations are subject to all of the hazards and risks normally incidental to exploration, development and the production of minerals. These could result in damage to or destruction of the Company's facilities, damage to life or property, environmental damage or pollution and possibly legal liability for any or all damage, which could have a material adverse impact on the business, operations and financial performance of the Company. 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. Hazards, such as unusual or unexpected geological formations, rock falls, flooding or other climatic conditions may be encountered in the drilling and removal of material. Although precautions to minimise risk will be taken, even a combination of careful evaluation, experience and knowledge might not eliminate all of the hazards and risks.

Whether a mineral deposit will be or will continue to be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as its size and grade, proximity to infrastructure, financing costs and governmental regulations, including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting of silver, changes in the silver price and environmental protection. The effect of these factors cannot be accurately predicted, but the combination of these factors could result in the Company not receiving an adequate return on invested capital.

The Company is transitioning from an exploration company to a producer. In the mining industry such a transition is sometimes a difficult and challenging exercise due to operational issues and risks.

Volatility of metal prices
The value of the Company’s resources and financial results of operations will 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.

The price of silver, which is affected by numerous factors including inflation levels, fluctuations in the United States 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.

Requirement for additional financing
The Company has in place a $15.6 million convertible debt facility which may be converted at a price of C$1.10 per share. If this debt is not converted, the Company will need to raise additional funds to repay it. The Plant will not be operational before the debt would need to be repaid and additional finance to fund projected working capital expenses will be required.

No assurance can be given that the Company will be able to raise the additional financing necessary to continue its development and production activities or to explore and/or develop its concessions.

Failure to obtain sufficient financing for any projects will 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.

Additional sources of funds currently available to the Company are through the sale of product from production activities, the issue of equity capital, debt financing facilities or instruments, the sale of concessions or other assets, royalty interests or the entering into farm-in or joint venture agreements.

In addition, 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 and other factors outside the Company's control.

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 the Company would not be able to continue as a going concern in which event the carrying value of the Company’s projects would be impaired.

Limited operating history
The Company has a limited history of producing revenue and its ultimate success will depend on its ability to generate cash flow from its concessions in the future. The Company has not earned any material profits to date and there is no assurance that it will do so in the future. A major portion of the Company's activities will be directed to the development of the San José vein as well as the search for and the development of new silver deposits. Significant capital investment will be required for completion of the San José Project and the continued exploration at the Company’s other exploration concessions. There is no assurance that the Company will be able to raise the required funds to continue these activities.

Mineral resource estimates
The mineral resource figures published by the company are estimates and no assurances can be given that the indicated levels of minerals will be produced. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. The Company's mineral resource estimate complies with the requirements of the Canadian NI 43-101 regulations, and the Company considers its mineral resource estimate to be well established, but it should be noted that mineral resource estimates are by their nature, imprecise and depend, to a certain extent, upon statistical inferences, which may ultimately prove unreliable. If such estimates are inaccurate or are reduced in the future, this could have a material adverse impact on the Company.

Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that mineral resources can be upgraded to mineral reserves through continued exploration.

No reserves
The Company does not hold any concessions in respect of which mineral reserves estimates have been established that comply with CIM Standards and Guidelines or other similar recognised industry standards.

Insurance and uninsured risks
The mining industry is subject to significant risks that could result in damage to, or destruction of, mineral properties or producing facilities, personal injury or death, environmental damage, delays in mining or monetary losses and possible legal liability.

The Company’s insurance policies might not provide adequate coverage for losses related to these or other risks. The Company’s insurance policies do not cover all possible risks that could arise in relation to the Company’s exploration activities and production facilities and as a result the Company might incur losses or damages that could have a material and adverse effect on the Company’s operations and finances.

In the course of the Company’s activities certain risks or unexpected or unusual geological conditions both underground and on surface may occur. It is not always possible to insure against such risks due to the absence of available cover or the Company may decide not to insure due to costs considerations of available cover. As a result the Company could incur losses or damages that could have a material and adverse effect on the Company’s operations and finances.

Reliance on contractors in Mexico
The Company relies on contractors to implement the Company's exploration and development programmes as well as its current mining operation at the San José project. The failure of a contractor 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.

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.

Environmental factors
The Company's operations are subject to environmental regulation in the jurisdictions in which the Company 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.

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.

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.

Political risk
The Company is conducting its exploration activities in the United Mexican States. 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. The directors believe the government of Mexico supports the development of natural resources by foreign operators. 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, 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.

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 Company might not have, or be able to obtain, financing for all such obligations as they arise.

Regulatory approvals
The operations of the Company require approvals, licenses and permits from various regulatory authorities, governmental and otherwise. The Board 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. 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.

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 opportunities available and, as a result, the Company may be unable to acquire further silver concessions on terms it considers acceptable.

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.

AVAILABILITY OF DOCUMENTS ON SEDAR

Additional information relating to the Company may be accessed through SEDAR on the internet at www.sedar.com or the Company's website on www.ariansilver.com.

DISCLOSURE OF OUTSTANDING SHARE DATA

The following sets out the outstanding securities of the Company as at 19 March, 2014:

	Number in issue
Common shares of no par value	33,366,005
Share purchase options	2,231,000

Each share option entitles the holder thereof to purchase one common share of the Company.

The Company has outstanding loan notes representing $15.6 million, which are convertible at the option of the holder, at any time up to and including 28 August 2014 into fully paid and non-assessable common shares of the Company at a price equal to C$1.10 each, representing an aggregate of 14,181,818 Common shares of the Company. The holder is restricted from holding more than 9.9% of the Common shares of the Company at any single point in time. As at 31 December 2013 this equated to 3,303,234 Common shares.

Audited Consolidated
Financial Statements
Year ended 31 December 2013
(in thousands of US dollars)

Directors' responsibilities statement

The directors are responsible for preparing the 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 the Alternative Investment Market.

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 as adopted by the European Union, 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 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

We have audited the financial statements of Arian Silver Corporation for the year ended 31 December 2013 and the year ended 31 December 2012 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs).

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (as issued by the International Auditing and Assurance Standards Board). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Arian Silver Corporation as at December 31, 2013 and December 31, 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter – going concern and adequacy of project finance

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Group's and the Company's ability to continue as a going concern. The group is currently developing refinancing opportunities to address the current working capital deficiencies to enable the repayment of the convertible loan that matures in August 2014 and to fund the expansion of the company's operations. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern and on the carrying value of the Group's exploration and other assets. The financial statements do not include the adjustments that would result if the Group and the Company were unable to continue as a going concern.

BDO LLP
Chartered Accountants
London
United Kingdom

19 March 2014

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

Consolidated statement of comprehensive income
(Expressed in United States dollars)

For the year ended 31 December 2013

	Note	2013 $'000	2012 $'000
Continuing operations			
Revenue		129	4,588
Cost of sales		(693)	(5,352)
Gross loss		(564)	(764)
Administrative expenses		(3,992)	(3,194)
Gain on derivative liability revaluation	*19*	3,457	-
Transaction costs on derivative liability	*19*	(468)	-
Operating loss	*5*	(1,567)	(3,958)
Net investment loss	*7*	(44)	(73)
Loss for the year attributable to equity shareholders of the parent		(1,611)	(4,031)
Other comprehensive income			
Foreign exchange translation differences recognised directly in equity	*16*	604	981
Other comprehensive income for the year		604	981
Total comprehensive income for the year attributable to equity shareholders of the parent		(1,007)	(3,050)
Basic and diluted loss per share ($)	*9*	(0.05)	(0.13)

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

Consolidated statement of financial position

(Expressed in United States dollars)

As at 31 December 2013

	Note	**2013 $'000**	**2012 $'000**
Assets			
Intangible assets	*10*	1,168	1,176
Property, plant and equipment	*11*	17,651	10,405
Total non-current assets		18,819	11,581
Trade and other receivables	*12*	1,326	1,206
Cash and cash equivalents	*13*	7,241	491
Inventories	*14*	980	644
Financial assets held at fair value through profit or loss	*15*	-	197
Total current assets		9,547	2,538
Total assets		28,366	14,119
Equity attributable to equity shareholders of the parent			
Share capital	*16*	51,514	48,223
Share-based payment reserve	*16*	8,001	7,885
Foreign exchange translation reserve	*16*	(966)	(1,570)
Accumulated losses	*16*	(42,765)	(41,535)
Total equity		15,784	13,003
Liabilities			
Trade and other payables	*18*	1,173	939
Convertible note	*19*	11,170	-
Derivative liability	*19*	52	-
Total current liabilities		12,395	939
Provision for mine closure	*20*	187	177
Total non-current liabilities		187	177
Total liabilities		12,582	1,116
Total equity and liabilities		28,366	14,119

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 19 March 2014 and were signed on its behalf by:

J T Williams
Chief Executive Officer

D Friday
Chief Financial Officer

Consolidated statement of cash flows

(Expressed in United States dollars)

For the year ended 31 December 2013

	Note	**2013 $'000**	**2012 $'000**
Cash flows from operating activities			
Loss before tax		(1,611)	(4,031)
Adjustments for:			
Depreciation and amortisation		59	158
Exchange difference		53	146
Net investment loss		44	73
Fair value of derivative liability		(3,456)	-
Equity-settled share-based payment transactions		497	247
		(4,414)	(3,407)
(Increase)/decrease in trade and other receivables		(71)	732
Increase/(decrease) in trade and other payables		196	(264)
(Increase)/decrease in inventories		(310)	303
Net cash used in operating activities		(4,599)	(2,636)
Cash flows from investing activities			
Interest received		17	12
Proceeds from disposal of investments		142	-
Acquisition of property, plant and equipment		(4,770)	(1,879)
Net cash used in investing activities		(4,611)	(1,867)
Cash flows from financing activities			
Proceeds from issue of share capital		3,291	897
Proceeds from issue of convertible note (net of transaction costs)		12,159	-
Net cash from financing activities		15,450	897
Net increase/(decrease) in cash and cash equivalents		6,240	(3,606)
Cash and cash equivalents at 1 January		491	3,991
Effect of exchange rate fluctuations on cash held		510	106
Cash and cash equivalents at 31 December	*13*	7,241	491

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

Consolidated statement of changes in equity

(Expressed in United States dollars)

For the year ended 31 December 2013

	Share Capital $'000	Share based payment Reserve $'000	Foreign exchange translation reserve $'000	Accumulated Losses $'000	Total $'000
Balance – 1 January 2012	47,326	9,359	(2,551)	(39,225)	14,909
Loss for the year	-	-	-	(4,031)	(4,031)
Foreign exchange	-	-	981	-	981
Total comprehensive income for the year	**-**	**-**	**981**	**(4,031)**	**(3,050)**
Exercise of share options	94	-	-	-	94
Fair value of share options	-	247	-	-	247
Shares issued for cash	823	-	-	-	823
Share issue costs	(20)	-	-	-	(20)
Lapse of share options	-	(1,721)	-	1,721	-
Balance – 31 December 2012	**48,223**	**7,885**	**(1,570)**	**(41,535)**	**13,003**
Loss for the year	-	-	-	(1,611)	(1,611)
Foreign exchange	-	-	604	-	604
Total comprehensive income the year	**-**	**-**	**604**	**(1,611)**	**(1,007)**
Fair value of share options	-	497	-	-	**497**
Shares issued for cash	3,495	-	-	-	**3,495**
Share issue costs	(204)	-	-	-	**(204)**
Lapse of share options	-	(381)	-	381	**-**
Balance – 31 December 2013	**51,514**	**8,001**	**(966)**	**(42,765)**	**15,784**

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

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 for the year ended 31 December 2013 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 2013 have been prepared in accordance with both International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board and IFRSs and Interpretations adopted by the EU in force at the reporting date.

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 2013. 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.

In order to comply with International Financial Reporting Standards as issued by the International Accounting Standards Board, the Group has chosen early adoption of IFRS 10, 11 and 12, however these do not have a material impact on the financial statements.

The accounts were approved by the board and authorised for issue on 19 March 2014.

(b) Going concern and adequacy of project finance

The financial statements have been prepared on a going concern basis.

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

At 31 December 2013 the Company had a working capital deficiency of $2.8m.

On 29 August 2013 the Company raised US$15,585,000 through the issuance of a senior secured convertible note ("Convertible Note"). The Convertible Note is convertible at C$1.10 at the option of the note holder, and if not converted, will mature at a premium of 5% on 28 August 2014.

The Group is currently developing refinancing opportunities, including the issue of new equity, debt finance and alternative financing arrangements to source capital on more attractive terms and to more suitably fund the expansion of the Group's operations.

In September 2012, the Group entered into a £5m Standby Equity Distribution Agreement ("SEDA") with YA Global Master SPV Ltd ("Yorkville"). The SEDA entitles the Group to drawdown funds in exchange for the issue of shares at a price based on the Company's market price. At 31 December 2013, £2.2m remained available to draw down against the SEDA facility. The agreement expires in September 2015.

In the past the Group has been successful at raising funding, however there can be no assurance that the Group will be able to raise funds in the future.

The directors currently believe the Group has adequate financial resources or access to such resources in order to continue to prepare the Company's financial statements on a going concern basis. However, if the Company is unsuccessful in raising future funding it may not be able to meet its on-going 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 and other assets would be required to be reviewed.

(c) 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 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 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 amounts recognised in the consolidated financial statements:

- Going concern and adequacy of project finance – Note 2(b)
- Capitalisation and impairment of exploration and evaluation costs – Notes 3(h), 3(j), 10
- Estimation of share based payment costs – Notes 3(p), 17
- Depreciation on property, plant and equipment – Note 3(i), 11
- Revenue – Note 3(c)
- Inventories – Note 3(k)
- Valuation of convertible loan note and derivative – Note 3(l), 19

(d) 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.

(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.

The functional currency of the parent company is pounds sterling. The financial statements are presented in United States dollars because it is the trading currency of silver and is therefore considered to be the most useful currency to the users of the accounts.

3. Significant accounting policies *(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 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 in other comprehensive income. They are reclassified to profit or loss upon disposal.

(c) Revenue recognition

Revenue from sales of metal concentrate is recognised when title transfers and the rights and obligations of ownership pass to the customer. The Group's sales of concentrate are made under pricing arrangements where final sales prices are determined by quoted market prices in a period subsequent to the date of sale. In these circumstances, revenue from sales is recorded at the time of the sale based on forward prices for the expected date of final settlement. Subsequent variations in prices are recognised as revenue adjustments as they occur.

In a period of extreme and unusual price volatility, the effect of mark-to-market price adjustments related to the quantity of metal which remains to be settled with independent smelters, could be significant.

(d) 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.

All other leases are classified as operating leases. Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

(e) Finance income and expenses

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

Finance expenses comprise interest expense on borrowings and related foreign currency losses. All borrowing costs are recognised in the income statement using the effective interest method. The non-derivative element of the Company's convertible note is measured at amortised cost and the liability is increased by accretion of the effective interest, which is capitalised, until the liability value reaches the nominal value of the note plus premium payable on maturity. Borrowing costs apportioned to the derivative element of the convertible loan note are recognised in the statement of comprehensive income.

(f) 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 other comprehensive income, in which case it is recognised in other comprehensive income.

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.

3. Significant accounting policies *(continued)*

(g) 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, share options and conversion of the loan note into shares.

(h) Intangible assets

(i) Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill arises on the acquisition of subsidiaries. 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 j). Goodwill arising on acquisition is capitalised and shown within fixed assets. The excess of net assets over consideration paid on an acquisition 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 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.

(i) Property, plant and equipment

Mine development costs

Mine development costs include appropriate deferred exploration and evaluation costs reclassified on commencing development of an exploration property. Before reclassification, such costs are assessed for impairment, with any impairment recognised in profit or loss for the period.

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

Other 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 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.

3. Significant accounting policies *(continued)*

Other property, plant and equipment (continued)

(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 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.

(j) Impairment

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.

(k) Inventories

Concentrate and stockpiled ore are valued at the lower of the average production costs and net realisable value. The assumptions used in the valuation of those inventories include estimates of metal contained in stockpiled ore, assumptions of the amount of metal that is expected to be recovered, assumptions of the smelting terms as well as assumptions of the metal prices and exchange rates expected to be realised when the metals are recovered. If these estimates or assumptions prove to be inaccurate, the Group could be required to write-down the recorded value of its inventories, which would reduce the Group's earnings and working capital. Net realisable value is determined with reference to market prices.

(l) Financial instruments

(i) Loans and receivables

Loans and receivables that are short term in nature are stated at cost less any impairment provision.

(ii) 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 and are stated at amortised cost.

(iii) Financial liabilities measured at fair value through profit or loss

Financial liabilities at fair value through profit or loss include derivative liabilities. Derivative liabilities are fair valued using an appropriate statistical model. The derivative liability is fair valued on initial recognition and is fair valued at each reporting date and changes are taken directly to the income statement.

Financial liabilties are derecocognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

(iv) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise investments acquired principally for the purpose of selling. Subsequent to initial recognition financial assets at fair value through profit or loss are stated at fair value. Movements in fair values are recognised in profit or loss as finance income or expenditure.

3. Significant accounting policies *(continued)*

(m) 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 its 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.

(n) Provisions

A provision is recognised in the consolidated statement of financial position 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.

Provisions for decommissioning and site restoration costs

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

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

(o) Share capital – Common shares

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

(p) 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.

Notes to the consolidated financial statements

4. Segment reporting

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board in order to allocate resources to the segments and to assess their performance.

The operating segments included in internal reports are determined on the basis of their significance to the Group. In particular, operating mines are reported as separate segments together with exploration projects that have significant capitalised expenditure. An analysis of the Group's business segments is set out below.

(i) Segment information

	San José		All other segments		Total	
	2013	2012	2013	2012	2013	2012
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue	129	4,588	-	-	129	4,588
(Loss)/profit before tax	(564)	(764)	(1,047)	(3,267)	(1,611)	(4,031)
Capital Expenditure	1,208	1,828	6,158	51	7,366	1,879
Depreciation and amortisation	41	142	18	16	59	158
Total assets	12,304	10,866	16,062	3,253	28,366	14,119
Total liabilities	187	177	12,395	939	12,582	1,116

San José revenue relates to transactions from one customer during the year. (2012: two customers: 67% and 33%)

(ii) Geographical information

	Mexico		UK		Total	
	2013	2012	2013	2012	2013	2012
	$'000	$'000	$'000	$'000	$'000	$'000
Non current assets excluding investments	15,448	11,525	3,371	56	18,819	11,581
Revenue	129	4,588	-	-	129	4,588

5. Operating loss is stated after charging:

	2013	2012
	$'000	$'000
Auditors' remuneration		
Audit – Remuneration for audit of Arian Silver Corporation	48	47
Audit – Remuneration for audit of Arian Silver de Mexico S.A. de C.V.	22	18
Taxation services	10	9
Depreciation and amortisation	59	158
Loss on disposal of non-current assets held for sale	51	-
Exchange loss	510	106

Notes to the consolidated financial statements

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 2013	Number of Employees 2012
Finance and administration	16	16
Technical	44	42
	60	**58**

The aggregate staff costs of these persons were as follows:

	2013 $'000	2012 $'000
Wages and salaries	1,224	1,101
Social security costs	110	108
Share based payments	497	232
	1,831	**1,441**

Remuneration of key management personnel

Key management personnel remuneration is detailed below:

	2013			2012
	Salary	Fees	Total	Total
Executive directors	$'000	$'000	$'000	$'000
A J Williams	113	-	113	114
J T Williams	289	-	289	254
Non-executive directors				
T A Bailey	23	-	23	24
J S Cable	23	-	23	24
J A Crombie	23	-	23	24
Other key management				
Country Manager – Mexico	-	79	79	60
Chief Financial Officer	151	-	151	158
Company Secretary	141	-	141	111
	763	**79**	**842**	**769**

The note is based on key management personnel in place during the year.

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 $935,000 (2012: $839,000).

Key management personnel also participate in the Group's share option programme as disclosed in note 17.

7. Net investment loss

	2013 $'000	2012 $'000
Loss on disposal of financial assets held	(51)	(78)
Unwinding of provision for mine closure	(10)	(7)
Interest income	17	12
	(44)	**(73)**

8. Income tax recognised in the income statement

	2013	2012
Current tax	**$'000**	**$'000**
Current year	-	-

Reconciliation of effective tax rate	**2013**	**2012**
	$'000	**$'000**
Loss before tax	(1,611)	(4,031)
Income tax using the domestic corporation tax rate of 23.25% (2012: 24.49%)	(375)	(987)
Non-deductible expenses	(555)	313
Share options disallowed	116	61
Share options relief	-	(8)
Exchange rate differences	(6)	345
Depreciation in excess of capital allowances	8	9
Short term timing differences not recognised in a deferred tax asset	(289)	(580)
Capitalised interest	(604)	-
Tax losses carried forward	1,705	847
Total tax expense/(credit)	-	-

At the year end the Group had tax losses to carry forward of approximately $35,881,000 (2012: $27,628,000).

Under IFRS a net deferred tax asset of approximately $4,127,000 (2012: $3,461,000) has not been recognised due to the uncertainty as to the amount that can be utilised.

9. Loss per share

Basic loss per share

The calculation of basic loss per share at 31 December 2013 was based on the loss attributable to common shareholders of $1,611,000 (2012: $4,031,000) and a weighted average number of common shares outstanding during the year ended 31 December 2013 of 32,212,527 (2012: 30,205,901). 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.

Diluted Loss per share

The potential increase in common shares from the exercise of any outstanding share purchase warrants, share options or conversion of the loan note into shares 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 earnings per share.

Notes to the consolidated financial statements

10. Intangible assets

	Goodwill	Deferred Exploration Costs	Total
Cost	**$'000**	**$'000**	**$'000**
Balance – 1 January 2012	13,446	1,278	**14,724**
Foreign exchange	-	83	**83**
Balance – 31 December 2012	13,446	1,361	**14,807**
Balance – 1 January 2013	13,446	1,361	**14,807**
Foreign exchange	-	(8)	**(8)**
Balance – 31 December 2013	13,446	1,353	**14,799**
Impairment losses and amortisation			
Balance – 1 January 2012	(13,446)	(185)	**(13,631)**
Balance – 31 December 2012	(13,446)	(185)	**(13,631)**
Balance – 1 January 2013	(13,446)	(185)	**(13,631)**
Balance – 31 December 2013	(13,446)	(185)	**(13,631)**
Carrying amounts			
At 31 December 2013	-	1,168	**1,168**
At 31 December 2012	-	1,176	**1,176**
At 1 January 2012	-	1,093	1,093

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.

Deferred exploration costs as at 31 December 2013 consisted mainly of costs relating to Calicanto $798,000 (2012: $803,000), San Celso $93,000 (2012: $94,000) and Los Campos $84,000 (2012: $85,000).

Notes to the consolidated financial statements

11. Property, plant and equipment

	Mine Development costs $'000	Plant and equipment $'000	Fixtures & fittings $'000	Vehicles $'000	Total $'000
Cost					
Balance – 1 January 2012	8,206	132	28	93	**8,459**
Additions	1,760	119	-	-	**1,879**
Foreign exchange movement	610	9	2	7	**628**
Balance – 31 December 2012	10,576	260	30	100	**10,966**
Balance – 1 January 2013	10,576	260	30	100	**10,966**
Additions	1,208	6,158	-	-	**7,366**
Foreign exchange movement	(66)	2	-	-	**(64)**
Balance – 31 December 2013	11,718	6,420	30	100	**18,268**
Depreciation and impairment losses					
Balance – 1 January 2012	(201)	(75)	(13)	(88)	**(377)**
Depreciation and amortisation charge for the year	(141)	(12)	(3)	(2)	**(158)**
Foreign exchange movement	(13)	(5)	(1)	(7)	**(26)**
Balance – 31 December 2012	(355)	(92)	(17)	(97)	**(561)**
Balance – 1 January 2013	(355)	(92)	(17)	(97)	**(561)**
Depreciation and amortisation charge for the year	(41)	(13)	(3)	(2)	**(59)**
Foreign exchange movement	2	-	-	1	**3**
Balance – 31 December 2013	(394)	(105)	(20)	(98)	**(617)**
Carrying amounts					
At 31 December 2013	11,324	6,315	10	2	**17,651**
At 31 December 2012	10,221	168	13	3	**10,405**
At 1 January 2012	8,005	57	15	5	**8,082**

The mine development costs at 31 December 2013, relate to the 100% owned San José property in Zacatecas State, Mexico.

Plant and equipment of $6,315,000 includes $6,275,000 (2012: $nil) for the El Bote mill, of which $2,596,000 (2012: $nil) relates to transaction costs that have been capitalised during the year.

12. Trade and other receivables

	2013 $'000	2012 $'000
Other receivables	904	1,077
Receivables due from related parties	204	-
Prepayments	218	129
	1,326	**1,206**

Included within other receivables is $695,000 (2012: $998,000) of Mexican IVA (sales goods tax) which is recoverable from the Mexican authorities. The Group has previously been successful recovering IVA and management are confident that this amount will be recovered.

13. Cash and cash equivalents

	2013 $'000	2012 $'000
Bank balances	7,241	491
Cash and cash equivalents in the statement of cash flows	**7,241**	**491**

Notes to the consolidated financial statements

14. Inventories

	2013 $'000	2012 $'000
Consumables	22	13
Stockpiled ore	958	631
	980	**644**

15. Financial assets held for sale at fair value through profit or loss

Following the completion in 2011 of the disposal of the group's Tepal Gold-Copper Project to Geologix Explorations Inc ("Geologix"), the Group was issued 1,089,318 Geologix shares. The Group disposed of its total Geologix shareholding of 1,089,318 shares during the year ended 31 December 2013 generating a loss of $51,000. The Geologix shares were acquired with the principal intent to be disposed of in the near future and as such, were classified as financial assets held at fair value through profit and loss.

16. Share capital and reserves

Authorised

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

Issued and outstanding common shares

Following the approval of shareholders on 29 August 2013, every 10 pre-consolidated common shares in the Company were consolidated into one post-consolidation common share of the Company, effective from 3 September 2013. The references to common shares prior to the date of the share consolidation have been restated to the nearest whole number as if they were post-consolidation.

Changes for the years ended 31 December 2013 and 2012 are detailed in the following table:

	2013		2012	
	Number of Shares 000's	Amount $000's	Number of Shares 000's	Restated Amount $000's
Balance – 1 January	30,490	48,223	30,119	47,326
Shares issued for cash	2,876	3,495	318	823
Issue costs of share issuance	-	(204)	-	(20)
Exercise of share options	-	-	53	94
Balance – 31 December	33,366	51,514	**30,490**	**48,223**

During the years ended 31 December 2013 and 2012, the Company made the share issuances as 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.

Notes to the consolidated financial statements

16. Share capital and reserves *(continued)*

2013

- 101,989 common shares issued at £1.42172 per share to provide additional working capital of £145,000 in connection with the drawdown of the SEDA.
- 165,780 common shares issued at £1.36326 per share to provide additional working capital of £226,000 in connection with the drawdown of the SEDA.
- 219,828 common shares issued at £1.3647 per share to provide additional working capital of £300,000 in connection with the drawdown of the SEDA.
- 182,102 common shares issued at £1.0258 per share to provide additional working capital of £186,800 in connection with the drawdown of the SEDA.
- 249,321 common shares issued at £1.050805 per share to provide additional working capital of £262,000 in connection with the drawdown of the SEDA.
- 440,316 common shares issued at £0.68133 per share to provide additional working capital of £300,000 in connection with the drawdown of the SEDA.
- 430,286 common shares issued at £0.50199 per share to provide additional working capital of £216,000 in connection with the drawdown of the SEDA.
- 321,656 common shares issued at £0.4045 per share to provide additional working capital of £130,110 in connection with the drawdown of the SEDA.
- 207,694 common shares issued at £0.46003 per share to provide additional working capital of £95,545 in connection with the drawdown of the SEDA.
- 557,063 common shares issued at £0.70004 per share to provide additional working capital of £389,967 in connection with the drawdown of the SEDA.

2012

- 97,507 common shares issued at £1.57938 per share to provide additional working capital of £154,000 drawdown of the SEDA.
- 220,939 common shares issued at £1.62941 per share to provide additional working capital of £360,000 drawdown of the SEDA.
- 50,000 common shares issued at £1.20 per share to provide additional working capital of £60,000 in connection with share options exercised.
- 2,500 common shares issued at £0.55 per share to provide additional working capital of £1,375 in connection with share options exercised.

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.

Foreign exchange translation reserve
The translation reserve comprises foreign exchange differences arising on the translation of amounts relating to overseas operations.

Accumulated losses
Accumulated losses contain losses in the current and prior years.

Notes to the consolidated financial statements

17. Share-based payment transactions

The number and weighted average exercise prices of share options for the years ended 31 December 2013 and 2012 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.

	2013		2012	
	Outstanding (000's)	**Weighted average exercise price ($)**	**Outstanding (000's)**	**Weighted average exercise price ($)**
Balance – 1 January	1,596	6.20	1,849	6.70
Issued	845	1.10	100	3.10
Exercised	-	-	(50)	(1.90)
Exercised	-	-	(3)	(0.90)
Lapsed	(210)	(2.60)	(300)	(7.90)
Balance – 31 December	**2,231**	**4.54**	**1,596**	**6.20**

Share options in issue at 31 December 2013:

Outstanding shares	Exercise price	Expiry
130,000	£0.55/C$1.00	16 July 2014
1,186,000	£4.925/C$7.90	18 January 2016
70,000	£2.00/C$3.2077	29 May 2017
845,000	£0.70/C$1.09123	29 May 2018

The weighted average remaining contractual life of share options as at 31 December 2013 was 1,058 days.

Share options held by directors and senior management at 31 December 2013:

Holder	Shares '000s	Exercise price	Grant Date	Vesting Date	Expiry[1]
A Williams	200	£0.70/C$1.09123	30 May 2013	30 May 2013	29 May 2018
	350	£4.925/C$7.90	19 January 2011	19 April 2011	18 January 2016
J Williams	200	£0.70/C$1.09123	30 May 2013	30 May 2013	29 May 2018
	350	£4.925/C$7.90	19 January 2011	19 April 2011	18 January 2016
J Cable	25	£0.70/C$1.09123	30 May 2013	30 May 2013	29 May 2018
	65	£4.925/C$7.90	19 January 2011	19 April 2011	18 January 2016
	20	£0.55/C$1.00	17 July 2009	17 July 2009	16 July 2014
T Bailey	25	£0.70/C$1.09123	30 May 2013	30 May 2013	29 May 2018
	65	£4.925/C$7.90	19 January 2011	19 April 2011	18 January 2016
	20	£0.55/C$1.00	17 July 2009	17 July 2009	16 July 2014
J Crombie	25	£0.70/C$1.09123	30 May 2013	30 May 2013	29 May 2018
	65	£4.925/C$7.90	19 January 2011	19 April 2011	18 January 2016
	55	£0.55/C$1.00	17 July 2009	17 July 2009	16 July 2014
Senior	300	£0.70/C$1.09123	30 May 2013	30 May 2013	29 May 2018
Management	50	£2.00/C$3.2077	30 May 2012	30 May 2012	29 May 2017
	60	£4.925/C$7.90	19 January 2011	19 July 2011	18 January 2016
	60	£4.925/C$7.90	19 January 2011	19 January 2012	18 January 2016
	25	£0.55/C$1.00	17 July 2009	17 January 2010	16 July 2014

Notes to the consolidated financial statements

17. Share-based payment transactions *(continued)*

[1] The expiry date is subject to the option holder holding office on the expiry date and not having previously exercised the share option. Share options may lapse at an earlier date in accordance with the rules of the share option plan, for example, should an option holder cease to hold office.

Changes to share options held by directors and senior management in the year ended 31 December 2013:

Holder	At 1 January 2013 '000s	Granted '000s	Lapsed '000s	At 31 December 2013 '000s
A Williams	425	200	(75)	550
J Williams	425	200	(75)	550
J Cable	85	25	-	110
T Bailey	85	25	-	110
J Crombie	120	25	-	145
Senior Management	255	300	(60)	495
Total	**1,395**	**775**	**(210)**	**1,960**

During the year 775,000 share options were issued to directors and senior management at an exercise price of £0.70/C$1.09123. In addition 210,000 share options lapsed during the year at exercise prices ranging from £1.20/C$2.50 to £3.00/C$4.80. There were no share options exercised during the year. The aggregate gains made by directors and senior management on share sales for the year ended 31 December 2013 was $nil (2012: $23,000).

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.

	2013	2012
Fair value	$497,000	$167,000
Share price 31 December 2012		$2.40
Share price 31 December 2013	$0.36	
Exercise price (expressed as weighted average)	$1.05	$3.20
Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes model)	93%	90%
Option life (expressed as weighted average life used in the modelling under Black-Scholes model)	5yrs	5yrs
Expected dividends	-	-
Risk-free interest rate (based on national government bonds)	0.98%	0.72%

The expected volatility is based on the historical share price of the Company. There are no market conditions associated with the share option grants.

The total expense relating to the fair value of the share options recognised in administrative expenses was $497,000 (2012: $247,000) during the year ended 31 December 2013; of these expenses $427,000 (2012: $183,000) related to share options issued to key management personnel.

18. Trade and other payables

	2013 $'000	2012 $'000
Payables due to related parties	11	21
Trade payables	921	785
Other payables	241	133
	1,173	**939**

19. Convertible note

	Convertible Note		Derivative Liability	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Proceeds at issuance	15,585	-	-	-
Less interest prepaid at issuance	(2,182)	-	-	-
Fair value derivative liability on recognition	(3,509)	-	3,509	-
Transaction costs capitalised on recognition	(1,320)	-	-	-
Change in fair value derivative liability at 31.12.13	-	-	(3,457)	-
Unwind effective interest period ended 31.12.13	2,596	-	-	-
Closing balance	11,170	-	52	-
Transaction costs expensed on recognition	-	-	468	-

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

On initial recognition, the derivative liability is fair valued using a Monte Carlo simulation and is then deducted from the carrying value of the convertible note liability. Subsequently, the derivative liability is fair valued at each reporting date and changes in the fair value are taken directly to the Statement of Comprehensive Income. The derivative liability is impacted by market risk and foreign exchange rate risk.

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

The gain reported on the derivative at 31 December 2013 is primarily a result of the weakening in Arian Silver Corporations' share price between the issuance of the loan note and the year end. Any subsequent increase in the share price from the reporting date would be likely to result in a loss on the derivative.

20. Provision for mine closure

	2013 $'000	2012 $'000
Opening balance	177	170
Unwinding of discount	10	**7**
Closing balance	**187**	**177**

The provision has been made to cover projected closure costs at the San José mine for the initial mining period of approximately 4 years, should the company fail to extend the operations beyond the initial period. Closure costs are calculated to be $206,000 (2012: $206,000) at the end of the 4 years using a discount rate of 5% (2012: 5%). Closure activities include decommissioning, reclamation and rehabilitation.

21. Group entities

Significant Subsidiaries	Country of incorporation and operation	Principal activity	Arian Silver Corporation effective interest 2013	2012
Arian Silver de Mexico S.A. de C.V.	Mexico	Exploration and Production of Silver	100%	100%

22. Financial instruments and financial risk management

Categories of financial instruments	Loans and receivables		Financial liabilities measured at amortised cost		Financial liabilities at fair value through profit or loss		Financial assets at fair value through profit or loss	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Cash and cash equivalents	7,241	491	-	-	-	-	-	-
Shares	-	-	-	939	-	-	-	197
Trade and other receivables	413	79	-	-	-	-	-	-
Convertible note liability	-	-	11,170	-	-	-	-	-
Derivative liability	-	-	-	-	52	-	-	-
Trade and other payables	-	-	1,173	-	-	-	-	-
	7,654	570	12,343	939	52	-	-	197

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.

Valuation hierarchy

The carrying amount of the financial assets at fair value through profit or loss stated above is based on unadjusted quoted prices in active markets for identical assets i.e. Level 1. The carrying amount of the financial liabilities at fair value through profit and loss is based on inputs other than quoted prices that are observable for the liability including implied volatilities and market-corroborated inputs i.e. Level 2.

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: currency risk and price 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, 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.

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

22. Financial instruments and financial risk management *(continued)*

Foreign currency risk *(continued)*

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 2013 $'000	Cash Held 2012 $'000
Pounds Sterling	231	383
United States Dollars	6,900	60
Canadian Dollars	6	44
Mexican pesos	104	4
	7,241	**491**

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 Group's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at 31 December 2013, the Group had cash of $7,241,000 to settle accounts payable of $1,173,000. The Group'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 Convertible Note matures in August 2014 (see note 19). Once the Group resumes production it is expected that the Group will generate sufficient cash from the sale of concentrates and funds raised from investors and the SEDA facility to settle operating accounts payable.

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 and trade receivables. The credit risk on cash is limited because the Group invests its cash in deposits with well capitalised financial institutions with strong credit ratings. Credit risk attributable to trade receivables is managed by way of off-take agreements.

Fair values

It is the Board's opinion that the carrying values of the cash and cash equivalents, the other receivables, all trade and other payables, current borrowings and investments in the consolidated statement of financial position represent their fair values. The basis of assessing the fair value of the financial assets held at fair value through profit or loss is set out in the valuation hierarchy section of 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 review 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.

22. 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 and how this moves in companies where the cash balances are held in a currency that is different to the functional currency.

Exposure to foreign currency risk sensitivity analysis:

	Profit/Loss		Equity	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
If there was a 10% weakening of pounds sterling against US dollar with all other variables held constant – increase/(decrease)	(23)	(38)	(23)	(38)
If there was a 10% strengthening of pounds sterling against US dollar with all other variables held constant – increase/(decrease)	23	38	23	38

A 10% variation is considered an appropriate level of sensitivity given recent levels of foreign exchange volatility.

23. Future commitments

The Group is committed to make the following payments under non-cancellable operating lease arrangements:

	Milling contract		Buildings		Total	
	2013	2012	2013	2012	2013	2012
	$'000	$'000	$'000	$'000	$'000	$'000
Payable in less than one year	-	3,420	74	15	74	3,435
Payable in one to two years	-	-	-	-	-	-
	-	3,420	74	15	74	3,435

24. Related parties

Control of the Company

In the opinion of the Board, at 31 December 2013 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.

Transactions with key management personnel

At 31 December 2013 the Directors of the Company and their immediate relatives controlled approximately 2.6% (2012: 2.8%) of the voting shares of the Company.

During the year ended 31 December 2013 the Company entered into the following transactions involving key management personnel:

Companies in the Dragon Group charged the Company a total of $121,498 (2012: $123,083). This relates to the reimbursement of Tony Williams' remuneration paid on behalf of the Company. Tony Williams, Chairman and a director of the Company, beneficially owns the Dragon Group. At 31 December 2013, $10,672 (2012: $20,910) was outstanding.

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

Notes to the consolidated financial statements

24. Related parties *(continued)*

The option grant fee is repayable by SGL to Arian together with interest payable at a rate of 10% per annum in the event that Arian elects not to proceed with a Transaction. Interest accrued during the year ended 31 December 2013 amounts to $3,780 (2012: $nil). As at 31 December 2013, $203,780 (2012: $nil) was owed to Arian by SGL.

Tony Williams is a director and shareholder of SGL.

Key management personnel also participate in the Group's share option programme as disclosed in note 17.

Key management personnel compensation is disclosed in note 6.

Directors' interests in the common shares of the Company as at 31 December 2013 and 2012 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.

	2013	**2012**
A J Williams	220,000	220,000
J T Williams	480,000	480,000
J A Crombie	150,000	150,000
T A Bailey	-	200

25. Post balance sheet events

On 14 January 2014 the Company granted 50,000 share options under the Company's share option plan. These share options are exercisable at £0.325 or C$0.57624 per share up to 13 January 2018.