



ARIAN SILVER CORPORATION

**Interim Consolidated
Financial Statements
(Unaudited)**

Third Quarter and Nine Months ended September 30, 2007
(In thousands of U.S. dollars)

ARIAN SILVER CORPORATION
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NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under Canadian National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Arian Silver Corporation
Consolidated Balance Sheets (Unaudited)
At September 30, 2007 and December 31, 2006
(In U.S. dollars)

	2007	2006
	\$'000	\$'000
Assets		
Property, plant and equipment	167	131
Intangible assets	3,249	1,235
Total non-current assets	3,416	1,366
Trade and other receivables	491	243
Cash and cash equivalents	2,030	3,193
Total current assets	2,521	3,436
Total assets	5,937	4,802
Equity		
Share capital	26,580	22,448
Share-based payment reserve	1,906	947
Foreign exchange translation reserve	(952)	(910)
Retained loss	(21,777)	(18,062)
Total equity	5,757	4,423
Bank overdraft	-	6
Trade and other payables	180	373
Total current liabilities	180	379
Total liabilities	180	379
Total equity and liabilities	5,937	4,802

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

Arian Silver Corporation
Consolidated Statements of Operations and Deficit (Unaudited)
For the three and nine months ended September 30, 2007 and September 30, 2006
(In U.S. dollars)

	3 Months ended September 30		9 Months ended September 30	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Administrative expenses	(1,135)	(802)	(3,759)	(2,752)
Goodwill written off	-	-	-	(13,635)
Operating loss before financing costs	(1,135)	(802)	(3,759)	(16,387)
Finance income	16	25	44	56
Net financing costs	16	25	44	56
Loss before tax	(1,119)	(777)	(3,715)	(16,331)
Loss for the period	(1,119)	(777)	(3,715)	(16,331)
Basic and diluted loss per share (\$)	(0.01)	(0.01)	(0.03)	(0.26)
Consolidated Statement of recognised income and expense				
Foreign exchange translation differences recognised directly in equity				
- in respect of re-translation of net investment in subsidiaries	(31)	-	(8)	-
- in respect of presentation of financial statements in United States dollars	(4)	-	(34)	-
Loss for the period	(1,119)	(777)	(3,715)	(16,331)
Total recognised income and expense for the period	(1,154)	(777)	(3,757)	(16,331)

There were no gains or losses during the period other than the above reported loss.

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Arian Silver Corporation
Consolidated Statements of Cash Flows (Unaudited)
For the three and nine months ended September 30, 2007 and September 30, 2006
(In U.S. dollars)

	3 Months ended September 30		9 Months ended September 30	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Cash flows from operating activities				
Loss for the period	(1,135)	(802)	(3,759)	(16,387)
Adjustments for:				
Depreciation	9	-	23	10
Goodwill written off	-	-	-	13,635
Exchange Difference	50	2	102	(50)
Equity-settled share-based payment transactions	125	46	959	912
Costs settled through issue of shares	-	-	-	(208)
	(951)	(754)	(2,675)	(2,088)
Change in trade and other receivables	(61)	(51)	(250)	1,256
Change in trade and other payables	(304)	1	(192)	249
Net cash used in operating activities	(1,316)	(804)	(3,117)	(583)
Cash flows from investing activities				
Interest received	16	25	44	56
Cash cost of acquisition of Hard Assets Inc.	-	-	-	353
Acquisition of intangibles	(714)	(155)	(2,002)	(389)
Acquisition of property, plant and equipment	(8)	(12)	(59)	(73)
Net cash used in investing activities	(706)	(142)	(2,017)	(53)
Cash flows from financing activities				
Proceeds from issue of share capital	2,868	33	4,132	2,212
Bank overdraft	-	-	(6)	-
Net cash from financing activities	2,868	33	4,126	2,212
Net increase in cash and cash equivalents				
Cash and cash equivalents at beginning of period	1,248	2,587	3,193	98
Effect of exchange rate fluctuations on cash held	(64)	-	(155)	-
Cash and cash equivalents at end of period	2,030	1,674	2,030	1,674

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Arian Silver Corporation
Consolidated Statement of Changes in Equity (Unaudited)
For the nine months ended September 30, 2007 and September 30, 2006
(In U.S. dollars)

	Share Capital	Share- based payment reserve	Foreign exchange translation reserve	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Period to September 30, 2006					
Opening balance	2,604	-	2	(1,029)	1,577
Goodwill written off	-	-	-	(13,635)	(13,635)
Shares issued for cash	2,200	-	-	-	2,200
Shares issued for consulting services	234	-	-	-	234
Fair value of share options	-	912	-	-	912
Proceeds from options exercised	32	-	-	-	32
Proceeds from warrants exercised	1	-	-	-	1
Shares issued on reverse take over	13,471	-	-	-	13,471
Foreign exchange loss	4	-	-	-	4
Net loss	-	-	-	(2,652)	(2,652)
Balance September 30, 2006	18,546	912	2	(17,316)	2,144

Period to September 30, 2007

Opening Balance	22,448	947	(910)	(18,062)	4,423
Share issue costs	(94)	-	-	-	(94)
Fair value of share options	-	119	-	-	119
Proceeds from options exercised	147	-	-	-	147
Proceeds from warrants exercised	365	-	-	-	365
Net loss	-	-	-	(1,047)	(1,047)
Foreign exchange loss	-	-	(4)	-	(4)
Balance March 31, 2007	22,866	1,066	(914)	(19,109)	3,909
Fair value of share options	-	714	-	-	714
Proceeds from options exercised	91	-	-	-	91
Proceeds from warrants exercised	736	-	-	-	736
Net loss	-	-	-	(1,549)	(1,549)
Foreign exchange loss	-	-	(3)	-	(3)
Balance June 30, 2007	23,693	1,780	(917)	(20,658)	3,898
Fair value of share options	-	126	-	-	126
Proceeds from options exercised	9	-	-	-	9
Proceeds from private placement	2,878	-	-	-	2,878
Net loss	-	-	-	(1,119)	(1,119)
Foreign exchange loss	-	-	(35)	-	(35)
Balance September 30, 2007	26,580	1,906	(952)	(21,777)	5,757

Arian Silver Corporation
Notes to Consolidated Financial Statements (Unaudited)
For the nine months ended September 30, 2007 and September 30, 2006
(In U.S. dollars)

1. Summary of Significant Accounting Policies

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

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

The accounting policies and methods of computation used in the preparation of the unaudited consolidated financial information are the same as those described in the Company’s audited consolidated financial statements and notes thereto for the year ended 31 December 2006. In the opinion of the management, the accompanying interim financial information includes all adjustments considered necessary for fair and consistent presentation of financial statements. These interim consolidated financial statements should be read in conjunction with the Company’s audited financial statements and notes for the year ended 31 December 2006.

The Group is at an early stage of development and in common with many mineral exploration companies, it raises funds in discrete tranches. The current cash resources of the Group will not be sufficient to develop its exploration projects and, if warranted, bring them into production. In the event that the Group is unable to secure further finance it will not be able to fully develop these projects.

The directors have reviewed the Group’s cash flow forecast and believe that the Company has sufficient working capital to cover ongoing obligations as they become due over a 12 month period. They therefore consider it appropriate to prepare the financial statements on a going concern basis.

2. Merger with Arian Silver Corporation Ltd

The Company was previously named Hard Assets Inc. until its merger with Arian Silver Corporation Limited (“ASCL”) on May 24, 2006 whereupon it was renamed Arian Silver Corporation (“ASC”) and re-admitted to the AIM market of the London Stock Exchange on May 25, 2006. ASCL ceased to be a legal entity at the date of the merger.

The merger of the Company with ASCL was accounted for in accordance with the reverse take over method of accounting. Under this method, ASCL has been identified as the acquirer and accordingly the consolidated entity is considered to be a continuation of ASCL and the historical financial information prior to the acquisition is that of ASCL only. For accounting purposes, Hard Assets Inc. is thus deemed to have been acquired by ASCL.

3. Intangible assets

(i) Goodwill

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

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. 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.

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(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 existence of economically recoverable reserves is established the related intangible assets are transferred to property, plant and equipment and the exploration and evaluation costs are amortised over the estimated life of the project. Where a project is abandoned or is determined not economically viable, the related costs are written off.

The recoverability of deferred exploration and evaluation costs is dependent upon a number of factors common to the natural resource sector. These include the extent to which a Company can establish economically recoverable 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.

4. Intangible assets

Changes in intangible assets for the nine months ended September 30, 2007 and the year ended December 31, 2006 are detailed in the following table:

	2007	2006
	\$'000	\$'000
Opening balance	1,235	253
Additions for the period	2,002	14,428
Foreign exchange	12	-
Impairment charge	-	(13,446)
Closing balance	<u>3,249</u>	<u>1,235</u>

The balances at September 30, 2007 and at December 31, 2006 relate entirely to deferred exploration and development costs. The impairment of goodwill occurred in the nine months ended September 30, 2006.

5. Acquisition of Arian Silver Corporation (UK) Limited

On February 1, 2006, the Company purchased the ordinary share capital of Arian Silver Corporation (UK) Limited (formerly Arian Silver Corporation Plc) for cash consideration of £1. This resulted in negative goodwill of \$34,000 representing the accumulated profit at that date. This has been credited to the income statement immediately.

6. Share capital

a) Authorised

The Company is authorized to issue unlimited common shares of no par value. Under the reverse take over method of accounting for the acquisition of ASCL, share capital and movements of ASCL are shown, together with movements in share capital of the Company following acquisition. Changes for the nine months ended September 30, 2007 and the year ended December 31, 2006 are detailed in the following table:

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(In U.S. dollars)

	2007		2006	
	Number of Shares '000	Amount \$'000	Number of Shares '000	Amount \$'000
Opening balance	100,683	22,448	19,770	2,604
Shares issued for cash	-	-	4,400	2,306
Issue costs of share issuance	-	(94)	-	(147)
Shares issued for consulting services	-	-	280	147
ASCL shares at date of acquisition	-	-	24,450	4,910
Shares issued on reverse take over of ASCL	-	-	48,899	4,910
Shares in issue upon reverse take over	-	-	37,000	14,121
Shares issued for consulting services	-	-	417	245
Exercise of warrants	4,508	1,101	7	1
Shares issued for cash	5,455	2,878	14,060	3,136
Foreign exchange difference	-	57	-	-
Exercise of share options	830	247	300	35
Closing balance	111,476	26,580	100,683	22,448

During the nine months ended September 30, 2007 and the year ended December 31, 2006 the Company made the following share issues:

Nine months ended September 30, 2007

During February, 2007 the Company issued 1,206,000 common shares of no par value in connection with exercises of warrants at \$0.175 per share.

During March, 2007 the Company issued 886,800 common shares of no par value in connection with exercises of warrants at \$0.175 per share and 500,000 common shares of no par value in connection with an exercise of share options at £0.15 per share.

During April, 2007 the Company issued 800,000 common shares of no par value in connection with an exercise of warrants at \$0.175 per share and 400,000 common shares of no par value in connection with an exercise of warrants at Cdn\$0.42 per share.

During May, 2007 the Company issued 1,176,000 common shares of no par value in connection with exercises of warrants at Cdn\$0.42 per share and 300,000 common shares of no par value in connection with an exercise of share options at £0.15 per share.

During June, 2007 the Company issued 40,000 common shares of no par value in connection with an exercise of warrants at Cdn\$0.42 per share.

During July, 2007, the Company issued 30,000 common shares of no par value in connection with an exercise of share options at £0.15 per share.

During August, 2007, the Company issued 5,454,000 common shares of no par value in connection with a placement of shares with institutional and private investors at Cdn\$0.55 per share.

Year ended December 31, 2006

On February 13, 2006 ASCL issued 400,000 common shares of \$0.01 each at a premium of \$0.49 per share to provide additional working capital.

On April 7, 2006 ASCL issued 4,000,000 common shares of \$0.01 each at a premium of \$0.49 per

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share to provide additional working capital. In settlement of agent's commission in respect of this placement, the Company issued 280,000 common shares of \$0.01 each at a premium of \$0.49 per share.

On May 24, 2006 the Company issued 48,899,200 common shares in respect of the merger with ASCL on the basis of two shares for every one share existing at that date. Under the reverse acquisition method of accounting, it was deemed that 37,000,003 shares were issued in consideration for Hard Assets Inc, being its issued share capital immediately prior to the merger.

On May 25, 2006 upon admission to AIM, the Company issued 416,666 common shares at \$0.56 per share in settlement of a corporate finance fee.

On July 3, 2006 the Company issued 300,000 common shares in relation to the exercise of share options at Cdn\$0.12 per share. On September 29, 2006 the Company issued 7,000 common shares in relation to the exercise of warrants at \$0.175 per share.

On November 30, 2006 the Company raised Cdn\$3,515,000 from a private placement of 14,060,000 Units at Cdn\$0.25 per Unit. Each Unit consisted of one common share and one share purchase warrant exercisable for a period of one year at Cdn\$0.42 and subject to accelerated exercise conditions at the Company's option.

b) Share-based payment reserve

A summary of the changes in the Company's contributed surplus for the nine months ended September 30, 2007 and the year ended December 31, 2006, is set out below:

	2007	2006
	\$'000	\$'000
Opening balance	947	-
Incentive stock options vested	959	947
Balance - end of period	<u>1,906</u>	<u>947</u>

c) Foreign exchange translation reserve

A summary of the changes in the Company's foreign exchange translation reserve for the nine months ended September 30, 2007 and the year ended December 31, 2006, is set out below:

	2007	2006
	\$'000	\$'000
Opening balance	(910)	2
Movement in the period	(42)	(912)
Balance - end of period	<u>(952)</u>	<u>(910)</u>

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d) Share purchase warrants

A summary of the changes in the Company's share purchase warrants for the nine months ended September 30, 2007 and the year ended December 31, 2006 is set out below:

	2007		2006	
	Warrants out- standing '000	Weighted average exercise price \$	Warrants out- standing '000	Weighted average exercise price \$
Opening balance	17,161	0.33	2,900	0.17
Exercised	(4,717)	(0.33)	(7)	(0.17)
Issued	2,727	0.55	14,268	0.36
Closing balance	15,171	0.39	17,161	0.33

At September 30, 2007 the warrants in issue are analysed below:

Shares	Exercise price	Expiry
12,444,000	Cdn\$0.42	November 30, 2007
2,727,250	Cdn\$0.65	August 2, 2009

e) Incentive stock options

The Company currently has in place two incentive stock option plans (the "Plans") covering directors, officers, employees and consultants of the Company and its subsidiary companies. The exercise price of a future option grant will be determined by the Board of Directors on the basis of the closing market price of the Company's shares on the trading day prior to the date of issue of the option. Options may be granted for periods of up to ten years and the Board of Directors determines the vesting provisions of each option granted, which may vary. The aggregate number of shares which may be issued and sold under the Plans may not exceed 10% of issued share capital. As at September 30, 2007, a total of 787,597 options remained available for grant under the Plans.

A summary of the Company's stock options (as adjusted to reflect the terms of the merger referred to in note 2) for the nine months ended September 30, 2007, is set out below:

	No of shares	Exercise price	Vesting date	Expiry
Directors	3,700,000	£0.15	June 15, 2006	January 31, 2009
	500,000	£0.245	April 7, 2007	February 22, 2010
	2,400,000	£0.27	June 14, 2007	June 13, 2010
Senior management	850,000	£0.15	June 15, 2006	January 31, 2009
	350,000	£0.15	February 1, 2007	January 31, 2009
	900,000	£0.27	June 14, 2007	June 13, 2010
	350,000	£0.27	October 14, 2007	June 13, 2010
	350,000	£0.27	April 14, 2008	June 13, 2010

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	No of shares	Exercise price	Vesting date	Expiry
Other employees	50,000	£0.15	June 15, 2006	January 31, 2009
	50,000	£0.15	February 1, 2007	January 31, 2009
	127,500	£0.225	June 28, 2007	February 27, 2010
	127,500	£0.225	December 28, 2007	February 27, 2010
	227,500	£0.27	October 14, 2007	June 13, 2010
	227,500	£0.27	April 14, 2008	June 13, 2010
Third parties	350,000	\$0.50	April 13, 2006	April 13, 2008
	50,000	£0.34	August 3, 2007	May 24, 2008
	50,000	£0.34	November 3, 2007	May 24, 2008
	50,000	£0.34	February 3, 2008	May 24, 2008
	50,000	£0.34	May 3, 2008	May 24, 2008

The number and weighted average exercise prices of share options are as follows:

	2007		2006	
	Out-standing	Weighted average exercise price	Out-standing	Weighted average exercise price
	'000	\$	'000	\$
Opening balance	6,180	0.29	-	-
Options assumed on acquisition of Hard Assets Inc.	-	-	300	0.11
Issued on acquisition of ASCL*	-	-	5,830	0.28
Issued	5,010	0.47	350	0.5
Exercised	(830)	0.31	(300)	(0.11)
Balance – end of period	10,360	0.31	6,180	0.29

*Converted to \$US. Actual exercise price was £0.15

f) Stock-based compensation

The fair value of stock options granted for the nine months ended September 30, 2007 was \$959,000 (same period in 2006 - \$912,000) which was expensed in the statement of operations.

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

	2007	2006
Risk free interest rate	4.75%	3.98% to 4.18%
Expected dividend yield	0%	0%
Expected stock price volatility	57%	80%
Expected option life in years	1 to 3 years	2 to 3 years

Pricing models require the input of highly subjective assumptions, including the expected price volatility. In the current period it was deemed that enough information on historic share prices was available to calculate the expected stock price volatility, whereas previously the volatility percentage used was an industry standard for similar companies. Changes in the subjective input assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable single

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measure of the fair value of units granted by the Company.

7. Related party transactions

These unaudited interim consolidated financial statements include balances and transactions with directors and officers of the Company and/or corporations related to them. All transactions have been recorded at the exchange amount which is the consideration established and agreed to between the related parties. During the nine months ended September 30, 2007 and 2006 the Company entered into the following transactions involving related parties:

Transactions with key management personnel

Companies in the Dragon Group charged the Company a total of \$697,159 (2006: \$319,030) in respect of the provision of staff, office facilities, general office overheads and re-charged costs incurred on behalf of the Company. Tony Williams, Chairman and a director of the Company, beneficially owns the Dragon Group. At September 30, 2007 \$61,848 was outstanding (2006:\$40,392).

Endeavour Financial Limited ("EF") charged the Company a total of \$nil (2006: \$11,920) in respect of the provision of office facilities incurred on behalf of the Company. Gordon Keep, a director of the Company up to the date of the Merger, is a director of EF.

Endeavour Financial International Corp ("EFC") charged the Company a total of \$50,000 (2006: \$nil) in respect of financial advisory services. Tony Williams, Chairman and a director of the Company, was a shareholder of EFC.

Kopane Diamond Developments PLC (formerly European Diamonds PLC) ("KDD") charged the Company a total of \$74,681 (2006: \$76,610) in respect of a recharge of remuneration paid on behalf of the Company. James Cable and Tony Williams are Directors of the Company and KDD. At September 30, 2007 \$7,468 was outstanding (2006: nil).

Anfield Sujir Kennedy and Durno ("ASKD") charged the Company a total of \$nil (2006: \$86,895) in respect of the provision of legal services incurred on behalf of the Company. Henry Jay Sujir, a director of the Company up to the date of the Merger, is a partner in ASKD.

Transactions with subsidiaries

The Company made loans to Arian Silver de Mexico S.A. de C.V. ("Arian Mexico") of \$3,201,989 (2006: \$805,000).

Arian Silver Corporation (UK) Limited ("Arian UK") charged the Company a total of \$nil (2006: \$130,303.20) in respect of staff payroll and other costs.

Executive officers also participate in the Group's share option programme.

8. Income taxes

No corporate or deferred tax charge or credit arises in respect of the nine months ended September 30, 2007 and 2006. The loss arising in the period gives rise to tax losses that are equivalent to a potential tax asset of \$1.1 million (2006 - \$1.5 million).

At September 30, 2007, the Group had tax losses to carry forward of \$5.2 million (2006: \$1.5 million). The potential deferred tax asset of \$1.6 million (2006: \$0.5 million) has not been recognised in respect of these losses due to the uncertainty as to the incidence and timing of future taxable profits against which the assets can be recovered.

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9. Segmented reporting

The Company has one operating segment, the exploration of natural resource properties. All capital assets of the Company are held in Mexico. Short-term deposit interest, which is the Company's only regular source of income, is generally earned in the United Kingdom.

10. Subsequent events

During October, 2007, the Company issued 630,000 common shares of no par value in connection with exercises of warrants at Cdn\$0.42 per share.

During November, 2007, the Company issued 5,560,000 common shares of no par value in connection with exercises of warrants at Cdn\$0.42 per share.