Arian Silver Corporation
Annual Report and Accounts 2007

www.ariansilver.com

Company profile

Arian Silver Corporation is a silver exploration and development company advancing substantial silver and polymetal properties in Mexico with three key projects within an extensive portfolio covering more than 20,000 hectares.

The Company has so far developed significant resources at both the San Jose and Tepal properties over the past year and is committed to increasing these resources significantly during the next twelve months with a plan to develop these projects and become a significant near-term silver producer.

Arian Silver offers substantial leverage to investors seeking exposure to silver. We are one of the lowest exploration cost explorers with a silver-equivalent ounce discovered of less than £0.05 or C$0.10. We are able to achieve this by utilizing a first-class team on the ground in Mexico fully supported by a management team in London who have proven track records of identifying projects at an early stage, taking them through feasibility, and then to development.

2007 at a glance

Continuing exploration work at the Company's three key projects, namely San Jose, Tepal and Calicanto

Drill programme at Calicanto identified bonanza grade silver structures

Significant drilling programmes completed at San Jose (12,000 metres drilled) and at Tepal (7,178 metres drilled)

Continued to strengthen its technical and management teams

Canadian National Instrument 43-101 inferred mineral resource estimates for San Jose and Tepal announced by the Company (March 08)

Owns or has options over concessions covering in excess of 20,000Ha of prime silver bearing property in the Mexican States of Zacatecas and Michoacán

Continuing work at Calicanto with further development of the Calicanto and San Buenaventura ramps

Increased landholdings at San Jose by 50% to 6,280 hectares ("Ha") to cover the entire 12km of strike length

Mexico

Zacatecas

Michoacan

Sampling at Tepal


Drilling at Tepal

Chairman's and Chief Executive's Statement

The year under review saw the achievement of some significant milestones for the Company.

Having established Arian in 2006 as the first London-listed primary silver Company and put the Company on a strong technical, corporate and financial footing, 2007 was marked by continued significant exploration success. In line with our expectations the advancement of two of our flagship properties, San Jose and Tepal, led to preliminary Canadian National Instrument (NI) 43-101 compliant inferred resources statements on both of these properties in March 2008.

Arian's management has a proven track record in financing and developing mineral projects worldwide. In Mexico, Arian employs an experienced team comprising both Mexican and expatriate technical and administrative personnel. We are continuing to build upon this successful team as we seek to achieve our goals of organic growth and development of our projects. Through our workforce we have developed significant local knowledge and have established excellent relations with local suppliers. This is particularly important given the current competitive market for services, supplies and equipment in the minerals sector. These have been and will continue to be crucial factors in facilitating the completion of our drilling and sampling programmes on schedule and within budget.

Arian is committed to becoming a significant silver producer through a combination of the development of its existing assets and through acquisition opportunities within the prolific Mexican Silver Belt. Our focus is on developing both mechanized underground and open-pit mining projects, where projected operating costs can be minimized. The Company's strategy is to seek out and develop primary silver assets with an exploration and production history, thereby significantly reducing exploration risk and keeping discovery cost per ounce of silver extremely low. The results of our acquisition and exploration activities to date demonstrate that we have had another very successful year.

In addition to San Jose and Calicanto, our two key silver projects located within Zacatecas State, we have a third key property in the Tepal Project, which is a copper-gold porphyry located in Michoacán State in South-West Mexico. Looking ahead, exploration and development of these three properties will remain our priority as we believe that these projects have excellent potential to host significant amounts of mineralisation. Subject to positive scoping studies, these could possibly be developed into near-term producing mines.

In January 2007, the Company commenced exploration on the San Jose Project, which incorporates the San Jose Mine. The San Jose Mine was a producing mine previously worked by a subsidiary of Peñoles and then Desarollo Monarca until 2001 when mining became uneconomic because of the low prevailing silver price. Subsequent to cataloguing all historic information and data and mapping the veins we conducted geochemical and geophysical exploration, which all indicated further exploration targets within this property. Following this we commenced a 12,000 metres drill campaign in order to delineate the continuing mineralisation. This resulted in the NI 43-101 inferred resource estimate, which the Company published in March 2008. This resource estimate incorporated approximately half of the 55 drill holes and represented only 4,700 metres of drilling. We are confident that further assay results will increase the resources significantly during 2008 and demonstrate the upside potential of the San Jose Project.

Also at our San Jose Property, Arian acquired, during the year, additional and strategically located concessions which increased the landholdings by approximately 50% to 6,280 hectares, covering more than 12 kilometres of the strike length of the San Jose Vein.

In addition to the San Jose Project, the Company's exploration efforts were also focused on the previously explored Tepal gold-copper porphyry project, where Arian controls nearly 14,000 hectares. Subsequent to establishing an operational base in the area, Arian built its second team in Mexico headed by a senior Mexican geologist. The Company then started a 7,500 metres drilling programme to confirm the historical drill data and to ascertain how the mineralisation extends both laterally and to depth. Results from approximately half of the 7,200 metres drilled were used to complete the initial NI 43-101 inferred resource statement that the Company published in March 2008. The Company anticipates an increase in this resource estimate in due course once, the assays of the of the remaining drill holes are returned from the laboratories.

Good progress was also made at the Calicanto Property where Arian owns five contiguous mining concessions totalling approximately 74 hectares. During 2007, the Company completed its initial drill programme, which intersected numerous bonanza grades (>1,000 grams per tonne) of silver. The Company is now planning a new drill programme, which is due to commence during Q3 2008, which we believe should provide sufficient additional data for the preparation of a NI 43-101 resource estimation.

Arian continues to develop a pipeline of additional exploration properties to supplement its currently held options over 26 properties, covering some 20,000 hectares.

In August 2007, the Company successfully raised Cdn$3 million through a non-brokered private share placement. This funding, together with the subsequent exercise of approximately 8 million warrants which raised approximately Cdn$3.4 million, enabled the Company to pursue an aggressive exploration campaign.

It is fortuitous for the Company that it is operating in a time of robust silver prices.Since Arian began to assemble a mineral property portfolio in 2005, the silver price has increased by approximately 300% and this has served to strengthen the economic outlook for developing these properties. Whilst silver is the main target commodity the Company is endeavouring to recover, its properties also contain material amounts of gold and other base-metals that, potentially, can be recovered.

While the overall outlook is very positive, the exploration and mining industry also faces some significant challenges. We are in a period of significant commodity inflation and the effects of rising prices are being felt throughout the industry. Access to and availability of drill rigs and crews has become more difficult and, in common with many exploration companies, Arian has suffered from longer assay turnaround times, which have delayed receipt of results and thereby contributed to the delay in delivering the NI 43-101 resource statements.

Arian remains focussed on delivering shareholder value and will endeavour to minimise dilution for existing shareholders as it develops its portfolio of assets. The opportunity of providing near-term cash flow to support exploration activities continues to be explored. In the absence of this, the Company will need to raise further funds to develop its asset base, which it plans to do on the most advantageous terms available.

We believe the outlook for 2008 is very exciting. With initial NI 43-101 resource statements at both San Jose and Tepal based on only half the drill results of the phase-one drilling programmes and the phase-two drill programme at the San Jose Project already well underway, we believe there is considerable potential to increase the resources at both properties. Later this year we will commence the phase-two drill programme at Calicanto, which together with the results of the phase-one drill programme, should form the basis for a NI 43-101 resource estimation at that property as well..

We are optimistic that the results from future activities will further delineate and increase resource categories and thus enhance the asset base of the Company.

We would like to thank all our staff, consultants and advisors who have contributed to a highly successful year for your Company and to our shareholders who continue to support the Company as it explores its assets and seeks out attractive new acquisitions.

Tony Williams
Executive Chairman

Jim Williams
Chief Executive Officer

Tony Willliams
Chairman

Jim Willliams
Chief Executive Officer

Properties

San José Property, Zacatecas.

The San José property covers the former workings of the San José Mine, operated by Peñoles and Desarollo Monarca from 1973 until 2001, extracting in excess of 15 million ounces of silver (with additional lead and zinc) from just over 2 million tonnes of ore.

During 2007, Arian increased its landholdings at San Jose by approximately 50% to 6,280 hectares and now controls at least 12 kilometres strike at the San Jose vein system.

In January 2007, Company geologists commenced cataloguing and compiling information about the mine. Maps and reports were acquired from Peñoles, and work began on digitizing these. This work generated a number of exploration targets and in May, Arian started the first drill programme on the property since 1989. By the end of 2007, the Company drilled a total of 8,400 metres in 55 holes, and discovered that the silver and base metal mineralisation within the San José vein was much wider than had previously been mined. The Company also discovered new vein systems and disseminated zones of mineralisation.

When Arian acquired the property, it had significant surface and underground infrastructure. The mine has a 4 x 4 metre ramp system and a 350 metre deep vertical shaft. These structures have been rehabilitated, as well as a number of surface buildings which have been turned into offices, work-shops and a warehouse.

Tepal Property

Arian controls nearly 14,000 hectares of this emerging gold-copper porphyry district in Michoacán State, south-western Mexico.

The Tepal Project was initially explored in the early 1970s by INCO who identified the area as having potential to host a porphyry copper-gold deposit. INCO drilled 21 diamond drill holes, totalling 3,247 metres and identified significant mineralisation, in an area now called the North Zone.

In 1992, Teck acquired the Tepal Project, drilled an additional 50 Reverse Circulation ("RC") holes, totalling 8,168 metres and discovered a second area of mineralisation, called the South Zone.

Subsequently, Hecla acquired the Tepal Project. Hecla collected nearly 900 rock chip samples on 50 by 50 metres grid, re-analyzed 298 pulps from the Teck RC drilling programme and drilled a further 17 RC holes, totalling 1,506 metres. Hecla's focus was exclusively on gold potential.

In January 2007, the Company established a base at Tepal, and recruited a senior Mexican geologist to manage the project. The Company commenced cataloguing the extensive collection of maps and reports from previous exploration campaigns undertaken by Inco in the 1970's and Teck and Hecla in the 1990's.

Arian also managed to locate a number of samples from the previous drilling campaigns which were analyzed to verify historical drill-hole data in order for it to be included in future NI 43-101 resource estimations for the property.

In April 2007, Arian commenced drilling on the property with the primary goal of confirming the historical drill data. Initial drill-hole data indicate that both the North and South zones extend laterally and to depth beyond what was defined by historic drill-holes.

The Company also conducted regional exploration concurrently with the drilling. Over 1,000 rock-chip samples were taken from around the property, and several new mineralised gossans have been discovered.

Cutting drill core at Tepal

Calicanto Property, Zacatecas

The Calicanto Property consists of five contiguous mining concessions totalling approximately 74 hectares. The property is located in the heart of the Zacatecas mining district, adjacent to Capstone Mining's Cozamin Mine, and covers four main vein systems. In April 2007, the Phase-one drilling programme consisting of 16 holes totalling 3,149 metres of diamond drilling was successfully completed.

The drill programme returned high-grade gold and bonanza-grade (>1,000 g/t) silver intercepts from the Calicanto, Misie and Nevada vein systems. The drilling also intersected a number of veins parallel to the principal structures that contained high-grade gold as well as significant lead, zinc and copper values.

Arian also advanced two ramps on the Calicanto and San Buenaventura vein systems. These ramps were designed to explore in detail these vein systems, to provide a representative bulk sample, and to provide safe access to the historic mine workings so that they could be sampled and surveyed.

Other Properties

In addition to the Calicanto, San José and Tepal properties, Arian owns further mineral concessions, all of which are located within the Zacatecas State and can be broadly grouped into two geographical zones.

Zacatecas Area, Zacatecas State

There are two groups of concessions in the Zacatecas district: the Calicanto Property and Los Campos Property.

Los Campos

The Los Campos project comprises four concessions wholly owned by Arian covering an area of approximately 500 hectares located on the south side of the city of Zacatecas. The property is easily accessible and only a 15 minutes drive from the Company's Zacatecas office.

The property covers a number of shafts that have explored several high-grade silver veins to considerable depth. In November 2007, Arian commenced an exploration programme at Los Campos. Geological mapping was completed and a number of veins discovered and sampled with positive results. This work was followed up with a wide soil sampling programme designed to identify mineralised structures beneath the soil cover. The results from this programme are expected in 2008 and if positive a follow-up trenching and drilling programme will be undertaken.

Ojocaliente Area, Zacatecas State

The Ojocaliente area covers a number of geographically separate silver veins (epithermal) and replacement (skarn) occurrences about 50 kilometres southeast of Zacatecas, including the San José Project. Arian has seven wholly owned concessions that cover approximately 890 hectares.

San Celso

San Celso consists of three contiguous mining concessions totalling 88.58 hectares. The concessions are located in the historic mining district of Pantillo Natera-Ojocaliente and are surrounded by other concessions to the south and the west. The San Celso project is owned outright by Arian. During 2007 no further work was conducted on the property.

La Africana

The La Africana property consists of two concessions which cover an area of approximately 15 hectares and are situated about three kilometres south-west of Panfilo Natera, just off the paved highway. The property is also located two kilometres south of the Bilbao project, where drilling has discovered a large massive sulphide deposit.

The concessions cover a small hill with numerous small shafts and prospects that explore a high-grade silver vein. No exploration work was conducted on the Africana property in 2007.

Donovan 1

The Donovan 1 property covers 42 hectares and consists of a number of high-grade silver veins, as well as small out-crops and float boulders of limestone replacement (skarn) type mineralisation. Arian has completed a geochemical and a ground magnetic survey on the property that identified a number of potential mineralised structures. No exploration work was conducted on the Donovan 1 property in 2007.

Donovan 2

The Donovan 2 concession covers an area of approximately 746 hectares and is located 20 kilometres south of San José, and just to the north of the Milagros epithermal vein system. Initial reconnaissance has been undertaken and field observations indicate it has the potential to host volcanogenic massive sulphide mineralisation similar to the nearby San Nicolas deposit.

Arian has completed initial soil and ground magnetic surveys on the property which have identified two significant anomalies. One of these anomalies is located beneath a small prospect where samples of dump material have returned anomalous copper, gold and silver grades. No work was conducted on the Donovan 2 property in 2007.

Navidad

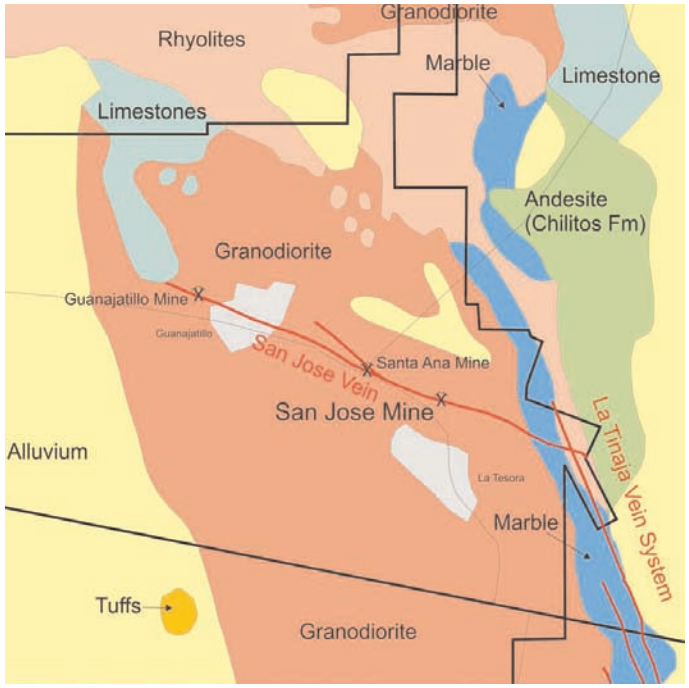
This concession, wholly owned by Arian, covers an area of approximately 100 hectares near the village of Genaro Codina. To date no exploration has been carried out save for initial reconnaissance.

Inspecting old mine workings at San Jose

Drilling at Calicanto

Core drilling of the San Jose Vein, San Jose

San Jose Property Map



Sampling at San Jose

San Jose Head frame

Management's responsibility for financial reporting and controls

This Management Discussion and Analysis ("MD&A") has been prepared based on information available to Arian Silver Corporation ("Arian" or the "Company") as at April 28, 2008 and compares its 2007 financial results with those of the previous year. This MD&A should be read in conjunction with the Company's audited Consolidated Financial Statements and the related notes. The audited Consolidated Financial Statements and the related notes have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). All dollar amounts referred to in this discussion and analysis are expressed in United States dollars, unless specifically stated otherwise.

The audited Consolidated Financial Statements of the Company for the financial year ended December 31, 2007 have been prepared by management of the Company ("Management") in accordance with International Financial Reporting Standards ("IFRSs") and have been approved by the Company's Board of Directors (the "Board"). The audited Consolidated Financial Statements of the Company for the year ended December 31, 2006 were also prepared in accordance with IFRSs and were also approved by the Board. The integrity and objectivity of these Consolidated Financial Statements are the responsibility of Management. In addition, Management is responsible for ensuring that the information contained in this MD&A is consistent, where appropriate, with the information contained in the audited Consolidated Financial Statements.

In support of this responsibility, Management maintains a system of internal accounting and administrative controls to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded. When alternative accounting methods exist, Management has chosen those methods it deems most appropriate in the circumstances. The audited Consolidated Financial Statements may contain certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis to ensure that the Consolidated Financial Statements are presented fairly in all material respects.

The Board is responsible for ensuring that Management fulfils its responsibilities for financial reporting and internal controls. The Board carries out this responsibility principally through its audit committee. The audit committee is appointed by the Board and its members are not involved in the Company's daily operations. The audit committee meets periodically with Management and the external auditor to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities and to review the Consolidated Financial Statements with the external auditors.

Introduction

The following discussion is Management's assessment and analysis of the results and financial condition of the Company and should be read in conjunction with the accompanying audited Consolidated Financial Statements for the financial years ended December 31, 2007 and 2006, which are available on SEDAR at www.sedar.com.

The Company (formerly Hard Assets Inc.) was incorporated in the province of British Columbia, Canada, on May 4, 2004. On May 24, 2006, the Company was continued to the British Virgin Islands in connection with its merger ("Merger") with Arian Silver Corporation Limited ("ASCL"), whereupon the Company changed its name to Arian Silver Corporation. On May 25, 2006, the Company's common shares were admitted to trading on the AIM Market of the London Stock Exchange ("AIM"). On July 21, 2006, the Company's common shares were listed and commenced trading on the TSX Venture Exchange ("TSX-V").

The Merger has been 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.

The Company is engaged in the acquisition and exploration of mineral resource properties.

Overall performance

In the financial year ended December 31, 2007, the Company incurred a loss of $5.0 million. The Company's loss arises in respect of administrative costs in its Mexican operations and corporate overheads, which include a non-cash amount of $1.1 million for expensing the fair value of share purchase options granted during the year. There was no income other than interest from short-term cash deposits of $62,000.

In the financial year ended December 31, 2007, intangible assets increased by approximately $3.2 million to $4.4 million as a result of the substantial drilling programmes undertaken in respect of the Mexican projects. Cash of $7.4 million was received as a result of share issues on the exercise of share purchase warrants and share purchase options and a private placement.

Selected Financial Information

The following is a summary of selected financial information for the financial years ended December 31, 2007 and 2006:

	2007 $'000s	2006 $'000s
Total revenues	**62**	71
Net loss before exceptional items	**4,893**	3,587
Net loss for the period	**4,893**	17,033
Basic and diluted loss per share	**$(0.05)**	$(0.24)
Total assets	**8,436**	4,802
Shareholders' equity	**8,100**	4,423
Cash dividends declared per share	**-**	

Overview of operations

The Company is currently concentrating its efforts on three key projects, namely, San Jose and Calicanto, located in Zacatecas State, Mexico and Tepal, located in Michoacán State, Mexico. In addition the Company has a number of other less advanced projects, which for reporting purposes are grouped under 'Other Projects'.

During the year significant drilling programmes continued on both the Tepal and San Jose Projects and, in view of the positive assay results being received these programmes were extended. The programme at San Jose was extended from an initial 5,000 metres ("m") to 12,000m and the programme at Tepal was extended from an initial 3,000m to 7,500m. In addition, at the Calicanto Project, the advancing of the underground decline ramps along the Calicanto Vein structure and the San Buenaventura Vein structure continued.

The Company's principal office in Mexico is at Zacatecas and a second office is maintained at Tepal.

Qualified Person

Mr. Jim Williams. Eur Ing, Eur Geol, BSc, MSc, D.I.C., FIMMM, and Chief Executive Office of Arian, is a "Qualified Person" as defined in the AIM guidelines of the London Stock Exchange, and a "Qualified Person" as defined in the Canadian Securities Administrators National Instrument 43-101 has reviewed and approved the technical information in this document other than the mineral resource estimates.

San Jose Project, Ojocaliente District, Zacatecas State

In December 2006, the Company acquired an exclusive option over 100% of the San Jose silver-base metal property in Zacatecas State. The property lies 55 kilometres to the South-East of Zacatecas and covers two mining concessions totalling approximately 4,100 hectares ("Ha"). The property also came with a significant infrastructure, including a 4 x 4 metre ramp, which extended for nearly 3 kilometres along the footwall of the San José Vein ("SJV") system, and a 350m deep, 500 tonne per day ("tpd"), vertical shaft with hoist. Assuming the option is exercised in full, the Company will pay to the vendor $1.5 million in instalments over three years to acquire the property. In addition, the Company will pay a 2% Net Smelter Return ("NSR") with a right of first refusal to buy out the NSR for $1.5 million at any time during the option period.

The mine was previously operated by Zimapán (Peñoles), (1973-1991), and Desarollo Monarca (1993-2001), extracting over 2 million tonnes of ore averaging 250g/t silver with significant lead and zinc credits.

During 2007 progress at San José has been rapid. Arian acquired 9 new concessions to increase the land-holdings at San José by approximately 50%, to 6,280 hectares (62km2). With these new concessions, Arian now controls at least 12km strike length of the SJV system. Payments and terms for each purchase made during 2007 are summarized in the table below.

Concessions acquired by Arian at San Jose in 2007

Claim Name	Amount (US$)	Area (Ha)	Comments
La Guadalupana	$5,000	56.1	100% Owned
El Tiempo	$5,000	70.0	100% Owned
El Milagro	$60,000	1,879.4	100% Owned, underlying 2% NSR
El As 2	$5,000	45.9	100% Owned, underlying 2% NSR
El As 1 F-1	$5,000	23.1	100% Owned, underlying 2% NSR
El As 1	$5,000	17.4	100% Owned, underlying 2% NSR
El As	$5,000	76.1	100% Owned, underlying 2% NSR
El As 2 F-1	$5,000	6.3	100% Owned, underlying 2% NSR
El Macho	$15,000	18.0	100% Owned, underlying 2% NSR
Total	**$110,000**	**2,192.3**	

A Phase-1 5,000m core drilling programme commenced at the beginning of May 2007, which was the first drilling on the property since 1989. This drilling programme was subsequently extended on two occasions to a total of 12,000m in light of the good drilling and underground sampling assay results received. By the year end a total of 8,400m had been drilled in 55 holes. The entire Phase-1 programme was completed by mid-March 2008 and comprised 65 drill holes.

Concurrently with the drill programme, a sampling and surveying programme was undertaken of the old mine workings. Approximately 3,500 chip-channel samples were taken during this programme.

In March 2008 the Company announced an initial Canadian National Instrument ("NI") 43-101 mineral resource estimate for the property (see the Company's press release dated March 3, 2008 entitled "Initial NI 43-101 Resource Calculation at San Jose"), details of which are set out in the table below. The resource estimate was derived from only 50% of the drill holes as the results from 34 holes were not available for the database modelling cut-off date in mid-December 2007. The remaining samples from drilling and underground sampling are currently with the assay laboratories and the results from these will be used to update the NI 43-101 mineral resource estimate in due course.

The initial resource estimate of 27.6 million Oz of silver in the inferred mineral resource category is from holes drilled to an aggregate core length of 3,600m and is contained within a 4km section comprising four currently defined mineral resource blocks along the strike of the SJV. These blocks currently cover an aggregate strike length of some 1,600m within the 4km strike length and extend to a depth of 200m. The percentage of oxide, transitional and primary material is undefined as part of these preliminary "inferred" estimations.

San Jose Inferred Mineral Resource Estimates

			Contained Metal		
Zone	**Tonnes g/t**	**Ag %**	**Pb %**	**Zn (oz)**	**Ag**
Block 450	3,592,000	100.9	0.09	0.26	11,655,124
Santa Ana	2,823,000	103.8	0.44	1.17	9,422,371
Solidad	1,659,000	108.5	0.78	1.42	5,789,640
Guanajuatillo	282,000	85.4	0.25	0.36	775,592
	8,356,000	**102.8**	**0.35**	**0.8**	**27,642,727**

1. Cut-off grade of 0 g/t Ag
2. Ag = Silver. Pb = Lead. Zn = Zinc.
3. The mineral resource estimates are in accordance with CIM and JORC standards
4. The effective date of the mineral resource estimates is 26 February 2008
5. The estimates are based on geostatistical data assessment and preliminary computerised IDW3, Ag grade wireframe restricted, linear block modelling

The "qualified person", as such term is defined in NI 43-101, who prepared the mineral resource estimates disclosed above, is Mr. James Hogg. Mr. Hogg is an employee of A.C.A. Howe International Limited and is a member of Australian Institute of Geoscientists and Prospectors and Developers Association of Canada.

The area covered by this initial resource statement represents approximately 30% of the known strike length of the SJV within the concessions controlled by Arian. In relation to this section of the strike length, the areas in between the four resource blocks were not yet linked together with sufficient data points to form a minimum compliant ("Inferred") resource for the enlarged area. However, subsequent in-fill drilling has shown the continuation along at least a 4km strike length within the 12 plus km strike length of the SJV system between the Solidad and Santa Ana resource areas. The programme has also discovered several additional new veins within the San Jose Property.

A description of the four current mineral resource areas is given below:

Block 450

Eight drill-holes were drilled into an area of unexploited mineralisation above one of the main ore-shoots. Block 450 extends from surface to a depth of approximately 75m. Drill-hole data has indicated that the SJV system in this area consists of high-grade (>200 g/t silver) veins within a much wider (up to 40m) zone of stockwork veining and brecciation that grades >50 g/t silver. It is thought that this material could, potentially, be extracted by open-pit mining methods that can economically mine lower-grade material on a larger scale.

Santa Ana

Twelve drill-holes were drilled around a group of mine workings called the Santa Ana Mine, located 800m west of the San Jose shaft. The mine consists of a number of levels, the deepest of which has been developed to a depth of 120m, and drilling has identified silver and base metal mineralisation extending to at least 100m below the deepest mine levels. The drill-holes intersected a wide zone of silver-base metal mineralisation (e.g. 112 g/t silver, 0.75% lead and 2.1% zinc over a width of 16.5m, and 64 g/t Ag, and 0.75% Zn over a true width of 42.4m), and may indicate that this zone may be amenable to open-pit mining.

Solidad

Thirteen drill-holes were drilling to explore an area of the SJV system 1.6km west of the San Jose shaft. This area, known as the Solidad zone, had been explored by Peñoles in the 1980's. Peñoles had drilled 3 diamond drill-holes that intersected the SJV system and returned medium grade (>100 g/t) silver and lead (up to 4%) values. Arian's drilling indicates that the SJV, in this area, appears to increase in width and grade with depth. Drill-hole SJ-07-025 intersected 9.9m (true width) grading 241 g/t silver, 2.26% lead, and 5.21% zinc, including a section grading 444.4 g/t silver, 4.1% lead and 8.8% zinc.

Guanajuatillo

Eight drill-holes were drilled into an area of the SJV system known as the Guanajuatillo Zone located 3.5km to the west of the San Jose shaft. The drill-holes intersected the SJV system. However, the holes intersected the vein near surface (less than 75m depth) and the rock was very weathered and recovery was generally poor. As a result, the holes intersected irregular silver and base metal mineralisation. It is thought that high-grade silver and base metal mineralisation may exist in this area at greater depth.

Between the Santa Ana and Solidad resource blocks is a 550m section of the SJV that has not been explored. With the enlargement of the drilling programme to 12,000m, ten holes were drilled into this gap area. Recent assay results from this area have returned bonanza silver grades (2.1m grading 1058 g/t silver), and indicate that the Solidad and Santa Ana areas may be part of a single much larger mineralized zone.

The table below sets out the latest batch of drill sample results that were announced in April 2008 (see the Company's press release dated April 7 2008 and entitled "Further Bonanza Grades Intersected at San Jose"). Further results are pending from 29 drill-holes and will be released when received. The drill results are tabulated using a Ag cut-off grade of 150 g/t over a minimum core length of 1m.

Hole ID	Notes	Core Length (m)	True Thickness (m)	Silver (g/t)	Lead (%)	Zinc (%)
SJ-07-030	San Jose Vein	3.15	2.2	644	0.17	0.36
SJ-07-031	San Jose Vein	6.45	4.6	155	1.1	1.78
Inc.		2.45	1.7	232	0.85	1.65
SJ-07-032	San Jose Vein	8.15	5.8	509	0.86	1.69
Inc.		2.95	2.1	1058	0.65	1.17
SJ-07-032	New Vein - SJ FW vein	3.05	2.15	202	1.13	1.74
SJ-07-033	San Jose Vein	35.2	19.3	Assay Results Pending		
SJ-07-039	New Vein - San Gerado Vein	2.4	-	272	0.1	0.44
Inc.		1.0	-	369	0.09	0.61
SJ-07-043	Stockwork zone	41.75	-	186	0.1	0.44
Inc.	New Vein - SJ HW Vein 1	1.4	-	285	0.1	0.58
Inc.	New Vein - SJ HW Vein 2	2.85	-	399	0.2	0.68
SJ-07-044	SJ HW Vein 2	3.65	-	239	0.1	0.46

Arian has started a Phase-2 drill programme on the property to follow on the encouraging results obtained to date. This programme is designed to both further infill drill areas between the currently defined resource blocks of the SJV and in addition to drill further along strike in both a westerly and easterly direction. Parallel and sub-parallel vein structures mapped using modern-day systematic techniques such as LandSAT Imaging, aerial mapping and geophysics will also be targeted.

The following table shows the project expenditure:

Year ended December 31

San Jose	2007 $'000	2006 $'000
Mining & option rights	144	70
Drilling & exploration	919	-
Geology – logging & sampling	96	1
Administration	165	-
Total	**1,324**	**71**

The above expenditure has been capitalised as an intangible asset save in respect of administration costs which is expensed.

Additional information in respect of the San Jose Project is contained in a technical report prepared by A. C. A. Howe International Limited dated April 30, 2007 and entitled "Technical Report on the San Jose Project, Zacatecas, Mexico". A copy of this report can be obtained from SEDAR on www.sedar.com

Tepal Project; Michoacán State

In August 2006, the Company announced that it had entered into an agreement to acquire an exclusive option for 100% of the Tepal polymetallic project, located in Michoacán State, Mexico. The option agreement is for a five-year term. Assuming the option is exercised in full the Company will pay the vendor, Minera Tepal, $5 million in instalments. In addition, the Company will grant the vendor a NSR of 2.5% with a right of first refusal to buy out the NSR for an unspecified amount.

The Tepal landholding is approximately 14,000Ha covering six exploitation concessions that contain Au-Cu porphyry style mineralisation that have been explored in the past by Inco, Teck and Hecla. Initial investigations by Arian indicated that the Tepal Project consists of four gossanous polymetallic mineral deposits containing copper, gold and silver with potential for additional areas of mineralisation.

A 3,000m core drill programme commenced on known targets in mid April 2007 at the Tepal project. This drilling programme was subsequently extended on two occasions to a projected total of 7,500m in light of the good drill hole assay results received. By the year end approximately 5,200m had been drilled in 31 holes. The entire programme was completed with 7,178m drilled by mid-March 2008 and comprised 42 drill holes.

In March 2008 the Company announced an initial Canadian National Instrument ("NI") 43-101 mineral resource estimate for the property (see the Company's press release dated March 10, 2008 and entitled "Initial NI 43-101 Resource Calculation at Tepal"), details of which are set out in the table below. The input data for the resource estimate was derived from 31 verified historical core holes and 23 Arian core holes drilled to a depth of approximately 3,400m. The results from an additional 15 holes were not available for the database modelling cut-off date in December 2007. The results from these holes, together with the remaining holes from the Phase-1 drill programme, which was completed in March 2008, will be reported and modelled for an updated resource statement in due course.

This initial resource estimate of 78.8 million tonnes containing 1.2 million ounces (oz) of gold and approximately 422 million pounds of copper is currently in the "inferred" mineral resource category and contained within two distinct mineralised zones (North and South Zones).

Tepal Inferred Mineral Resource Estimates

			Grade			Contained Metal		
Zone	Type	Tonnes ('000)	Au g/t	Cu %	AuEq g/t	Au (oz x 000's)	Cu (Mlbs)	Au Eq (oz x 000's)
North	Oxide	45,404	0.46	0.27	1.04	674	254.07	1,521
South	Oxide	33,440	0.47	0.23	0.99	506	167.45	1,061
		78,844	**0.47**	**0.24**	**1.03**	**1,180**	**421.53**	**2,582**

1. Cut-off grade of 0.18 g/t Au
2. Au = Gold. Cu = Copper
3. The mineral resource estimates are in accordance with CIM and JORC standards
4. The effective date of the mineral resource estimates is 3 March 2008
5. The estimates are based on geostatistical data assessment and preliminary computerised IDW3, Ag grade wireframe restricted, linear block modelling

The "qualified person", as such term is defined in NI 43-101, who prepared the above mineral resource estimates, is Mr. James Hogg. Mr. Hogg is an employee of A.C.A. Howe International Limited, and is a member of the Australian Institute of Geoscientists, and the Prospectors and Developers Association of Canada.

Mineralisation on the property consists of structurally controlled zones of stockwork and disseminated copper sulfide with elevated gold values. Mineralisation occurs along a line of three small tonalite stocks just west of the north-northwest-trending fault that occurs through the centre of the Property. All three stocks are composed of multiple intrusive phases with tonalite porphyry and tonalite porphyry intrusion breccia phases hosting the highest- grade mineralisation.

The resources are currently hosted in the northern and southernmost stocks (North Zone and South Zone respectively). Both the North and South zones occur from a gold-rich core with the highest gold (>1 g/t) and copper values and highest Au:Cu ratios to a copper (>0.3%) dominant periphery with lower Au:Cu ratio to a barren pyritic halo.

Primary sulfide mineralisation within the historic resource areas consists predominantly of disseminated and stockwork-controlled chalcopyrite and pyrite with minor, locally significant pyrrhotite, bornite, sphalerite, molybdenite and galena. The highest grade mineralisation is associated with low total sulfide contents and low pyrite:chalcopyrite ratios.

Micron-sized native gold is usually associated with the chalcopyrite either as grains attached to the surface or fracture fillings within copper sulfides although free grains can also occur.

Depth of oxidation ranges from 20m to 40m on the hilltops and 0 to 20m within the drainages.

Minerals in the oxidized zone include malachite, chalcocite, minor azurite, tenorite or neotocite, and minor chrysocolla. Thin supergene-enriched zones do exist locally at the base of the oxide zone. They consist of chalcocite and covellite coatings on sulfide grains and local areas of poddy, massive chalcocite.

In April 2008 the Company announced additional drilling results from the Phase-1 programme (see press release dated April 14, 2008 and entitled “Drilling Intersects 110 Metres Grading 1.13g/t AuEq at Tepal”), which are set out in the following table:

Tepal Drill Programme – using a cut-off grade of >5m width, grading >0.5 g/t AuEq

Hole ID	From (m)	To (m)	Length (m)	Au (g/t)	Cu (%)	AuEq* (g/t)
AS-07-023	188	200.6	12.6	0.31	0.27	0.92
AS-07-024	No Significant Results					
AS-07-025	106	161	55	0.20	0.20	0.65
AS-07-027	No Significant Results					
AS-07-028	98	188	90	0.37	0.18	0.77
Inc	120	158	38	0.64	0.30	1.32
Inc	166	182	16	0.29	0.19	0.72
AS-07-029	47.25	201	153.8	0.27	0.18	0.68
Inc	62	80	18	0.65	0.35	1.46
Inc	82	108	26	0.41	0.18	0.83
Inc	148	174	26	0.21	0.21	0.70
Inc	178	192	14	0.33	0.34	1.10
Inc	196	201	5	0.30	0.19	0.74
AS-07-030	0	150	150	0.30	0.15	0.64
Inc	0	78	78	0.43	0.21	0.90
AS-07-031	56	200.5	144.5	0.41	0.24	0.95
Inc	56	166	110	0.49	0.28	1.13
AS-07-032	0	126	126	0.28	0.27	0.90
Inc	0	70.9	70.9	0.35	0.29	1.00
Inc	102.8	126	23.2	0.33	0.46	1.39
AS-07-033	21.05	198	177	0.38	0.22	0.89
Inc	21.05	108	87	0.44	0.27	1.04
Inc	112	174	62	0.45	0.22	0.96
AS-07-034	No Significant Results					
AS-07-041	No Significant Results					

*AuEq grades calculated using metal prices of US$600/oz Au and US$2/lb for Cu, and assuming 100% recovery.

In addition to the drill programme, work has been completed on the organisation and compiling of data from the Hecla and Teck drill programmes, which were conducted in the 1990’s. A percentage of the coarse rejects and pulps from Hecla and Teck programmes are being and will continue to be, sent for analysis to check, from a correlation point of view, the historical assay database.

Although exploration has concentrated on a core drilling programme, some regional surface sampling has been undertaken, with a view of identifying further targets for drilling. This surface sampling work is on-going and so far the initial results have been very encouraging.

The following schedule shows the project expenditure:

Year ended December 31

Tepal	2007 $'000	2006 $'000
Mining & option rights	554	257
Drilling & exploration	533	17
Geology – logging & sampling	30	10
Administration	98	10
Total	**1,215**	**294**

The above expenditure has been capitalised as an intangible asset save in respect of administration costs which is expensed.

Additional information in respect of the Tepal Project is contained in a technical report prepared by A. C. A. Howe International Limited dated September 18, 2006 and entitled "Technical Report on the Tepal Project, Michoacán, Mexico". A copy of this report can be obtained from SEDAR on www.sedar.com

Calicanto Project, Zacatecas District, Zacatecas State

The Calicanto Project consists of five adjacent mining concessions totalling approximately 74 Ha namely: Calicanto, Vicochea I, Vicochea II, Misie and Missie properties, collectively known as the "Calicanto Group". The concessions are located in the historic mining district of Zacatecas. The Calicanto Group of concessions comprises at least four main mineralised vein systems.

The veins on the Calicanto Property consist of silicified and brecciated andesite that contains disseminated sulphides, predominantly pyrite. Other sulphides include sphalerite, galena, proustite, parargyrite and occasional native silver. At surface the veins consist of hematite, limonite, cerussite, anglesite, various carbonates and quartz. Mineralisation on the Calicanto property is typical of low-sulphidation epithermal deposits common in Mexico.

The Calicanto ramp was developed along the Calicanto vein to allow for sampling along the vein. The tunnel itself averages approximately 4-5m high and 5-6m wide. The ramp was extended in 2007 to a length of 140m.

A number of high-grade splay structures were sampled and identified, and the ramp also allowed Arian to access a number of historic mine workings to enable surveying and sampling.

The second ramp, the San Buenaventura Ramp was developed on the San Buenaventura Vein. At 80m length, the ramp intersected the first of several parallel veins that form the Misie vein system. This vein, named Misie # 1, was explored by several hundred metres of underground workings on several levels. Company geologists surveyed and sampled all accessible workings and identified a 1-2m wide vein that contained silver, gold, lead and zinc values, as well as elevated copper values. This structure probably represents a different type vein than those typically found at Calicanto. By the end of 2007, the ramp had been advanced 150m, where it began to encounter silicification, pyrite content in the host andesites and may mean that the ramp is near a second vein.

During the reporting period, but not limited to the reporting period, the Company has 'mined' some 3,000 tonnes of run-of-mine material (approx. 1,500 tonnes from each of the Calicanto ramp and from the San Buenaventura ramp). The Company will be reviewing various options to undertake metallurgical test work on this bulk sample.

A Phase-2 budget totalling $941,500 has been proposed for the Calicanto Property for Q3 2008. Diamond drilling will focus on further defining the high-grade structures discovered by the Phase-1 drilling. Ramp development will continue with the San Buenaventura ramp to see if additional Misie system veins are present. The Company will continue in installing ladders in shafts and prospects to allow them to be surveyed and sampled.

The following schedule shows the project expenditure:

Year ended December 31

Calicanto Group	2007 $'000	2006 $'000
Mining & option rights	18	126
Drilling & exploration	223	225
Geology – logging & sampling	42	16
Administration	29	11
Total	**312**	**378**

The above expenditure has been capitalised as an intangible asset save in respect of administration costs which is expensed.

Additional information in respect of the Calicanto Project is contained in a technical report prepared by A. C. A. Howe International Limited dated March 20, 2006 and entitled "Technical Report on the Calicanto and San Celso Projects, Zacatecas, Mexico". A copy of this report can be obtained from SEDAR on www.sedar.com

Other Projects, Zacatecas State

The Company has a number of projects falling under this category, which comprise a number of 'Brownfield' and 'Grassroots' licence areas. One of the more important of the 'Brownfield' projects is the San Celso Project. San Celso consists of three contiguous mining concessions totalling 88.58 Ha. The concessions are located in the historic mining district of Pánfilo Natera-Ojocaliente and are surrounded by other concessions to the south and west. The San Celso Project is owned outright by Arian. During the period covered by this MD&A, no further work was conducted on the property as exploration efforts are currently being focused on drilling programmes in respect of other primary projects.

Exploration and development commitments as at December 31, 2007

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

(a) In relation to the San Jose option agreement the Company is required to pay the vendor $1.5 million in instalments over the three-year period through to December 2009 and will also grant the vendor a NSR of 2%. At December 31, 2007, $288,000 had been paid and the next payment of $380,000 is due June, 2008.

(b) In relation to the Tepal option agreement the Company is required to pay the vendor $5 million in instalments over the five-year period through to June 2011 and will also grant the vendor a NSR of 2.5%. At December 31, 2007, $800,000 had been paid and the next payment of $500,000 is due June 2008.

(c) In relation to the Calicanto option, the Company is required to pay $370,000. At December 31, 2007, $156,000 had been paid and the next and final payment of $214,000 is due May 2008.

In relation to the Las Reinas option, at December 31, 2007, $50,000 had been paid by the Company. However, no further options payments will be made as the Company will not be proceeding with its interest in this property group and is allowing the option to lapse.

The Company has the right to withdraw from the option agreements relating to San Jose, Tepal, Calicanto and Las Reinas at any time during the term of each option without financial penalty. All property payments are subject to a 15% Sales Tax (IVA).

The outstanding expenditures described above are discretionary and not yet committed as they are dependent on timing and availability of funds.

Public financing

Financial year ended December 31, 2007

During the year the Company raised proceeds totalling $7.4 million from the following issues of common shares:

1. During February, 2007, the Company issued 1,206,000 common shares of no par value in connection with an exercise of warrants at $0.175 per share.
2. During March, 2007, the Company issued 886,800 common shares of no par value in connection with an exercise of warrants at $0.175 per share and issued 500,000 common shares of no par value in connection with an exercise of share options at £0.15 per share.
3. 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.
4. During May, 2007, the Company issued 1,176,000 common shares of no par value in connection with an exercise of warrants at Cdn$0.42 per share and 300,000 common shares of no par value on the exercise of share options at £0.15 per share.
5. 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.
6. During July, 2007, the Company issued 30,000 common shares of no par value on the exercise of share options at £0.15 per share.
7. During August, 2007, the Company issued of 5,454,000 common shares of no par value at Cdn$0.55 per share in connection with a private placement.
8. During October, 2007, the Company issued 630,000 common shares of no par value in connection with exercise of warrants at Cdn$0.42 per share.
9. During November, 2007, the Company issued 7,354,000 common shares of no par value in connection with exercise of warrants at Cdn$0.42 per share.

Financial year ended December 31, 2006
During the year the Company raised proceeds totalling $5.5 million from the following issues of common shares:

1. During February, 2006, ASCL issued 400,000 common shares of $0.01 each at a premium of $0.49 per share to provide additional working capital.
2. During April, 2006, ASCL issued 4,000,000 common shares of $0.01 each at a premium of $0.49 per 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.
3. During July, 2006, the Company issued 300,000 common shares in relation to the exercise of share options at Cdn$0.12 per share.
4. During September, 2006, the Company issued 7,000 common shares in relation to the exercise of warrants at $0.175 per share.
5. During November, 2006, the Company completed 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.

In addition, during May 2006 the Company issued 48,899,200 common shares in respect of the Merger with ASCL on the basis of two common shares for every one common share existing at that date. Under the reverse acquisition method of accounting, it was deemed that 37,000,003 common shares were issued in consideration for Hard Assets Inc, being its issued share capital immediately prior to the merger. Also, upon admission to AIM, the Company issued 416,666 common shares at $0.56 per share in settlement of a corporate finance fee.

Results of operations

The Company has not generated any operating revenues and losses continued to be incurred throughout the year.

Financial Year Ended December 31, 2007 compared to financial year ended December 31, 2006
The Company continued to explore its projects in Mexico during the year, undertaking significant drilling programmes at the San Jose and Tepal properties. Whilst the cost of exploration is capitalised, there was an increase in associated administration costs mainly due to higher manpower and corporate overheads in Mexico compared to the prior year.

The loss for the year was $5.0 million before exceptional items and finance income (2006: $3.6 million). Significant costs related to expensing the fair values of share options granted of $1.1 million (2006: $0.9 million), legal and professional fees of $0.6 million (2006: $0.6 million), and salaries of $1.5 million (2006: $1.1 million). There was no income other than interest from short term cash deposits of $62,000 (2006: $71,000). There was a gain on exchange of $0.2 million (2006: loss on exchange of $0.1 million). In 2006 an exceptional item of $13.4 million was written off in respect of goodwill arising on the Merger.

Summary of quarterly results

Unaudited	**2007** 4th Quarter $'000	**2007** 3rd Quarter $'000	**2007** 2nd Quarter $'000	**2007** 1st Quarter $'000
Total Revenues	18	16	10	18
Net loss before exceptional items and financing costs	1,240	1,119	1,553	1,043
Basic and diluted loss per share	$(0.01)	$(0.01)	$(0.01)	$(0.01)
Net loss for the period	1,178	1,119	1,553	1,043
Basic and diluted loss per share	$(0.01)	$(0.01)	$(0.01)	$(0.01)
Total assets	8,436	5,937	4,382	4,264
Shareholders' equity	8,100	5,757	3,898	3,909
Cash dividend declared per share	-	-	-	-

Unaudited	**2006** 4th Quarter $'000	**2006** 3rd Quarter $'000	**2006** 2nd Quarter $'000	**2006** 1st Quarter $'000
Total Revenues	15	25	20	11
Net loss before exceptional items and financing costs	953	777	611	1,312
Basic and diluted loss per share	$(0.01)	$(0.01)	$(0.01)	$(0.03)
Net loss for the period	953	777	14,025	1,278
Basic and diluted loss per share	$(0.01)	$(0.01)	$(0.22)	$(0.03)
Total assets	4,802	2,552	3,247	1,463
Shareholders' equity	4,423	2,144	2,838	1,463
Cash dividend declared per share	-	-	-	-

Fourth quarter 2007 vs. third quarter 2007

Revenues were from bank deposit interest. The net loss in the period is broadly similar to the previous quarter and results from incurring costs related to corporate overheads and administration of the Company's projects in Mexico. Intangible assets, representing the cost of exploration in Mexico increased by $1.2 million compared to $0.7 million in the third quarter and $1 million in the second quarter. Shareholders' equity increased by $2.3 million in the fourth quarter due to share issues from warrant exercises offset by project and administration expenditure.

Third quarter 2007 vs. second quarter 2007

Revenues were from bank deposit interest. The net loss for the period fell by $0.4 million over the previous quarter mainly due to a reduction in the cost of expensing the fair value of share options of $0.6 million, offset by higher administrative costs. Intangible assets, representing the cost of exploration in Mexico, increased by $0.7 million in the period due to the extensive drilling programmes, compared to expenditure of $1 million in the second quarter. Shareholders' equity increased in the third quarter by $1.9 million in relation to shares issued from a private placement and warrant and option exercises of approximately $3 million, offset by the loss incurred in the period.

Second quarter 2007 vs. first quarter 2007

Revenues were from bank deposit interest. The net loss for the period increased by $0.5 million compared to that incurred in the previous quarter due to an increase in the expensing of the fair value of share options by $0.7 million, compared to $0.1 million in the first quarter; otherwise, administrative costs were similar. There was a significant increase in intangible assets in the quarter by $1 million due to the extensive drilling programmes, compared to a spend of $0.3 million in the first quarter. Shareholders' equity was unchanged compared to the previous quarter as the issue of new shares in the period of $0.8 million was offset by administrative expenditure and the write off of the fair value of share options.

First quarter 2007 vs. fourth quarter 2006

Revenues were from bank deposit interest. The net loss in the period is broadly similar to the previous quarter and results from incurring costs related to corporate overheads and administration of the Company's projects in Mexico. The cost of the fair value of share options vesting in the period of $0.1 million in the quarter is $0.06 million higher than the charge in the previous quarter. Intangible assets increased by $0.4 million due to expenditure in respect of drilling programmes and other exploration work undertaken in Mexico. Shareholders' equity decreased following the placement of $0.5 million of new common shares, offset by project expenditure and administration costs.

Fourth quarter 2006 vs. third quarter 2006

Revenues were from bank deposit interest. The net loss in the period is after charging costs related to corporate overheads, including the fair value of share options vesting in the period and the administration of the Company's projects in Mexico. Shareholders' equity increased following the placement of $3.2 million of new common shares, offset by project expenditure and administration costs.

Third quarter 2006 vs. second quarter 2006

Revenues were from bank deposit interest. Administration expenditure in the quarter increased due to costs incurred in respect of the listing of the Company on the Canadian TSX-V Exchange. The costs relate to corporate overheads, including the fair value of share options vesting in the period and the administration of the Company's projects in Mexico. The decrease in Shareholders' equity and cash over the previous quarter is a result of share issues arising from share option and warrant exercises in the period of $33,000, offset by administration and project expenditure.

Second quarter 2006 vs. first quarter 2006

The increase in Shareholders' equity and cash over the previous quarter is the result of the placement of $2 million of new common shares. The net loss increased as a result of costs associated with the Merger and admission of the Company's shares to AIM. There was an exceptional loss resulting from the write off of goodwill of $13.4 million on the Merger in accordance with reverse take over accounting.

First quarter 2006 vs. fourth quarter 2005

The net loss for the quarter of $1.3 million included $0.9 million in respect of the fair value of share options granted. The decrease in the Shareholders' equity and cash over the previous quarter is a result of share placements in the period of $200,000, offset by administration and project expenditure.

Liquidity and capital resources

In Management's view, the most meaningful information concerning the Company relates to its current liquidity and solvency since it is not currently generating any income from its mineral projects.

The Company raises capital for its operations through the issuance of securities of the Company and from proceeds received from the exercise of share options and share purchase warrants. Although the Company has been successful in the past in raising finance, there can be no assurance that any funding required by the Company in the future will be made available to it and, if such funding is available, that it will be offered on reasonable terms or that the Company will be able to secure such funding through third party financing or joint ventures.

Furthermore, there is no assurance that the Company will be able to secure new mineral properties or projects or that they can be secured on competitive terms.

See ***Risks and Uncertainties - Requirement of Additional Financing*** for details of additional risks associated with future funding of the Company.

Year ended December 31, 2007

As noted in ***Overview of Operations – Public financing***, of this MD&A, the Company issued 12,492,800 (2006: 7,000) common shares of no par value in connection with warrant exercises, 830,000 (2006: 300,000) common shares of no par value in connection with exercises of share options and 5,454,000 (2006: 18,740,000) common shares of no par value in connection with a private placement to raise additional working capital.

Working Capital

As at December 31, 2007, the Company had working capital of approximately $3.5 million (2006: $3 million). The increase in working capital in the year to December 31, 2007 is the result of cash raised from the issues of shares offset by project costs and administrative expenditure.

The most significant assets at December 31, 2007 were intangible assets amounting to $4.4 million (2006: $1.2 million) and cash of $3.1 million (2006: $3.2 million).

As detailed in ***Overview of Operations – Exploration and development commitments as at December 31, 2007*** the Company will need to make some material payments in order to maintain its interests in certain properties in good standing.

On April 24, 2008 the Company announced that it planned to raise up to Cdn$3 million by way of a private placement of up to 10 million units at Cdn$0.30 per unit. Each unit will comprise one common share and one-half of one common share purchase warrant.

Each whole warrant will entitle the holder to acquire one common share of the Company at an exercise price of Cdn$0.40 share for a period of 18 months from the closing date of the placement. The warrants will also be subject to an accelerated exercise provision.

Off-balance sheet arrangements

The Company has no off-balance sheet arrangements.

Transactions with related parties

During the financial years ended December 31, 2007 and 2006, the Company entered into the following transactions involving related parties:

Companies in the Dragon Group charged the Company a total of $934,859 (2006: $671,155) 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. This arrangement continues until terminated by either party giving to the other six months notice in writing.

Endeavour Financial Limited (“EF”) charged the Company a total of $69,599 (2006: $43,020) in respect of acting as financial adviser to the Company and, up to the date of the Merger, for the provision of office facilities. Gordon Keep, a director of the Company up to the date of the Merger, is a director of EF. The financial adviser arrangement continues until terminated by either party giving to the other 30 days notice in writing.

Anfield Sujir Kennedy & Durno (“ASKD”) charged the Company a total of $nil (2006 $86,895). Henry Jay Sujir, a director of the Company up to the date of the Merger, is a partner in ASKD.

Kopane Diamond Developments PLC (“KDD”) charged the Company a total of $105,386 (2006: $82,594) in respect of a recharge of certain directors’ remuneration paid on behalf of the Company. James Cable and Tony Williams are directors of the Company and KDD.

The Company also entered into the following transactions with subsidiaries:

The Company made loans to Arian Silver de Mexico de CV (“Arian Mexico”) of $4,332,246 (2006: $986,790) and paid charges on behalf of Arian Mexico of $40,849 (2006: $32,647). A management fee of $10,352 (2006: $nil) was also charged to Arian Mexico.

Arian Silver (UK) Limited (“Arian UK”) charged the Company a total of $nil (2006:$783,821) in respect of staff payroll and other costs and was charged by the Company $nil (2006: $101,334) in respect of management fees. In addition the Company made loans to Arian UK of $nil (2006: $136,443).

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

Fourth quarter

In the final quarter of the financial year, the Company continued with its Phase-1 drilling and underground sampling programmes on the San Jose property. In view of the good assay results received the drilling programme was extended to 12,000m.

In addition, the Company continued with its Phase-1 drilling programme on the Tepal property. In view of the good assay results received the drilling programme was extended to 6,000m.

In December 2007, the Company initiated the preparation of NI 43-101 compliant mineral resource reports by A. C. A. Howe International Limited in respect of the San Jose and Tepal properties.

During the quarter, the Company issued 7,984,000 common shares of no par value in connection with exercise of warrants at Cdn$0.42 per share, which raised approximately $3.4 million of additional working capital.

Proposed transactions

See ***Liquidity and Capital Resources – Working Capital*** for details of a proposed Cdn$3 million financing announced by the Company on April 24, 2008.

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.

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 depleted on a unit of production basis, or until the properties are sold, allowed to lapse, 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. No writedowns were recorded in the financial statements for the period. A writedown would be recorded as an expense to the Company's income statement.

Share based payments

The share option programme allows Company employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at the grant date and spread over the period until the options vest unconditionally to the employee.

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. Critical estimates in determining fair value include expected price volatility of the shares and option lives.

Risks and uncertanties

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

Option Agreements in relation to certain mining concessions

There is no certainty that following completion of initial exploration work at the Calicanto, Tepal and San Jose projects, the Company will elect to proceed to exercise the options over the mining concessions for those areas. The sums paid and due to be paid under the option agreements are not repayable if the options are not exercised.

In addition, in relation to concessions over which the Company has an option, the current concession holder may not be able to, or may voluntarily decide not to, comply, or may not have complied in all respects, with the concession requirements for some or all of its concessions. If the current concession holder 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.

Requirement of Additional Financing

The exploration and development of the Company's concessions, including continuing exploration projects, and the construction of mining facilities and commencement of mining operations, will require substantial additional financing. Additional financing will also be required to pay the exercise price of the options held by the Company at the date of this document and any options which are subsequently acquired. The Company does not currently have sufficient funds to explore its concessions and to maintain its interest in all its projects. No assurance can be given that the Company will be able to raise the additional financing necessary to explore its concessions, or exercise its options (current or future). 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. The only source of funds currently available to the Company is through the issue of equity capital, the sale of concessions, royalty interests or the entering into of joint ventures. 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 may not be available when needed, or if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to shareholders.

Limited Operating History

The Company has no concessions producing revenue and its ultimate success will depend on its ability to generate cash flow from concessions in the future. The Company has not earned 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 search for and the development of new silver deposits. Significant capital investment will be required for exploration at the concessions and to achieve commercial production from the Company's existing projects and from successful exploration efforts. There is no assurance that the Company will be able to raise the required funds to continue these activities.

No Reserves or Resources

The Company does not hold any concessions, or currently have an interest in concessions pursuant to options, in respect of which reserves or resources estimates have been established that comply with CIM Standards and Guidelines or other similar recognised industry standards.

Reliance on Sub-Contractors in Mexico

The Company will rely on sub-contractors to build the Company's planned development programs. The failure of a sub-contractor to perform properly its services to the Company could delay or inconvenience mining 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 may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances, which may exist on or under any of the properties covered by its concessions, or which may 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 may be subject to penalties, its operations may 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.

Nature of Mineral Exploration and Mining

Any exploration programme entails risks relating to the location of economic orebodies, 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 programs 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 may 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 may not eliminate all of the hazards and risks.

Whether a mineral deposit will 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 and environmental protection. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Political Risk

The Company is conducting its exploration activities in the Republic of Mexico. The Company may be adversely affected by changes in economic, political, judicial, administrative or other regulatory factors such as taxation in the Republic of Mexico, where the Company will operate and holds its major assets. The Republic of 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 mining licences and certain other contractual agreements to which a member of the Company 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 may 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 shall disclose such interest in accordance with its articles of association 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.

Forward Looking Statements
This MD&A contains certain "forward-looking statements". All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, the mineral resource estimates contained in this MD&A, statements regarding exploration results, potential mineralisation, potential mineral resources, future production and the

Company's exploration and development plans and objectives) are forward-looking statements. 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, 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 commodity prices, 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 press release 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.

Other information

Additional Information:
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 table sets forth information concerning the outstanding securities of the Company as at April 25, 2008:

Common shares of no par value ("Shares")	Number in issue
Shares	119,459,969
Share options (1)	9,635,000
Share purchase warrants (1)	2,727,250

(1) Each share option and share purchase warrant entitles the holder thereof to purchase one Share.

Statement of directors' responsibilities

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

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

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

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

We have audited the group financial statements ('the financial statements') of Arian Silver Corporation for the year ended 31 December 2007 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated statement of cash flows and statement of change recognised income and expense and the related notes. The financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with IFRSs as adopted by the International Accounting Standards Board, of the state of the group's affairs as at 31 December 2007 and of its loss for the year then ended.

Emphasis of matter – going concern

In forming our opinion, which is not qualified, we have considered the adequacy of disclosures made in note 2(a) to the financial statements concerning the group's ability to continue as a going concern. The group's operations are at an early stage and current cash resources will not be sufficient to develop its exploration projects and bring them into production. The directors have reviewed the group's cash flow forecast and believe that further equity is now required and additional fund raising will be required in the next 12 months. The directors are taking steps to meet the current funding requirement and they believe that both these funds and additional funds that will be required in the next 12 months will be forthcoming. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. These financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

PKF (UK) LLP

PKF (UK) LLP

Registered Auditors, London, UK, 25 April 2008

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

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

We conducted our audit for the year ended 31 December 2007 in accordance with International Standards of Auditing (UK and Ireland). There are no material differences in the form or content of our audit report, except as noted below, as compared to an auditors' report prepared in accordance with Canadian GAAS and if this report were prepared in accordance with Canadian GAAS it would not contain a reservation.

An audit report issued in accordance with Canadian GAAS does not require the Emphasis of Matter paragraph that is included in the United Kingdom Independent Auditors' Report for the year ended 31 December 2007 given above. In all other respects, there are no material differences in the form and content of the above noted auditors' report.

PKF (UK) LLP

PKF (UK) LLP
Registered Auditors, London, UK, 25 April 2008

Consolidation balance sheet as at December 31, 2007

	Note	**2007 US $'000**	2006 US $'000
Assets			
Property, plant and equipment	3 d, 10	**181**	131
Intangible assets	3 e, 11	**4,407**	1,235
Total non-current assets		**4,588**	1,366
Trade and other receivables	13	**714**	243
Cash and cash equivalents	14, 20	**3,134**	3,193
Total current assets		**3,848**	3,436
Total assets		**8,436**	4,802
Equity			
Share capital	15, 16	**29,852**	22,448
Share-based payment reserve	18	**2,068**	947
Foreign exchange translation reserve	16	**(865)**	(910)
Retained loss		**(22,955)**	(18,062)
Total equity		**8,100**	4,423
Bank overdraft		**-**	6
Trade and other payables	19	**336**	373
Total current liabilities		**336**	379
Total liabilities		**336**	379
Total equity and liabilities		**8,436**	4,802

The financial statements were approved and authorised for issue by the Board of Directors on 25 April 2008 and were signed on its behalf by:

J T Williams
Chief Executive Officer

G A Potts
Chief Financial Officer

Consolidation income statement for the year ended December 31, 2007

	Note	2007 US $'000	2006 US $'000
Administrative expenses		**(4,955)**	(3,653)
Goodwill written off	5,11	**-**	(13,446)
Operating loss before financing costs		**(4,955)**	(17,099)
Finance income	8	**62**	71
Finance expenses	8	**-**	(5)
Net financing costs		**62**	66
Loss before tax	6	**(4,893)**	(17,033)
Loss for the period		**(4,893)**	(17,033)
Basic and diluted loss per share	17	**(0.05)**	(0.24)

Consolidated statement of recognised income and expense

	2007 US $'000	2006 US $'000
Foreign exchange translation differences recognised directly in equity		
- in respect of re-translation of net investment in subsidiaries	**27**	80
- in respect of presentation of financial statements in United States dollars	**18**	(992)
Loss for the period	**(4,893)**	(17,033)
Total recognised income and expense for the period	**(4,848)**	(17,945)

Consolidated statement of cash flows for the year ended December 31, 2007

	Note	2007 US $'000	2006 US $'000
Cash flows from operating activities			
Loss for the period		**(4,955)**	(17,099)
Adjustments for:			
Depreciation		**45**	23
Goodwill written off		**-**	13,446
Exchange difference		**253**	8
Equity-settled share-based payment transactions		**1,121**	947
		(3,536)	(2,675)
Change in trade and other receivables	13	**(471)**	(142)
Change in trade and other payables	19	**(37)**	164
		(4,044)	(2,653)
Interest paid	8	**-**	(5)
Net cash used in operating activities		**(4,044)**	(2,658)
Cash flows from investing activities			
Interest received	8	**62**	71
Acquisition of intangibles	11	**(3,182)**	(982)
Acquisition of property, plant and equipment	10	**(95)**	(102)
Net cash used in investing activities		**(3,215)**	(1,013)
Cash flows from financing activities			
Proceeds from issue of share capital	15,16	**7,404**	5,478
Bank overdraft/(Overdraft repayment)		**(6)**	6
Net cash from financing activities		7,398	5,484
Net increase in cash and cash equivalents			
Cash and cash equivalents at 1 January		**3,193**	1,380
Effect of exchange rate fluctuations on cash held		**(198)**	-
Cash and cash equivalents at 31 December	20	**3,134**	3,193

Notes to the consolidated financial statements

1. Reporting entity

Arian Silver Corporation (the "Company") is a company domiciled in the British Virgin Islands. The consolidated financial statements of the Company for the year ended December 31, 2007 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 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 in May 2006 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.

The comparative figures used are for the year ended December 31, 2006.

2. Basis of preparation

(a) Going concern and adequacy of project finance

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 bring them into production and further funding will be required. In the event that the Group is unable to secure further finance they will not be able to fully develop these projects.

The directors have reviewed the Group's cash flow forecast and believe that further equity is now required and additional fund raising will be required in the next 12 months. The directors are taking steps to meet the current funding requirement and they believe that both these funds and the additional funds which will be required in the next 12 months will be forthcoming. They consider it appropriate to prepare the financial statements on a going concern basis.

(b) Use of estimates and judgement

The preparation of financial statements in conformity with International Financial Reporting Standards ("IFRSs") requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Information about such judgements and estimates is contained in the accounting policies and/or the notes to the consolidated financial statements. Areas of judgement that have the most significant effect on the accounts recognised in the consolidated financial statements are shown below and discussed further in notes 3(e)(ii) and 3(h):

- Capitalisation and impairment of exploration and evaluation costs
- Estimation of share based payment costs

(c) Statement of compliance

The consolidated financial statements of the Company for the year ended December 31, 2007 have been prepared in accordance with IFRSs and its interpretations adopted by the International Accounting Standards Board ("IASB") in force at the reporting date. The company has not adopted any standards or interpretations in advance of the required implementation dates. It is not expected that adoption of standards or interpretations which have been issued by the IASB but have not been adopted will have a material impact on the financial statements. The year ended December 31, 2006 was the Group's first full year consolidated financial statements. Previously, statements have been prepared under UK Generally Accepted Accounting Principles ("UK GAAP"). The accounts were approved by the board and authorised for issue on April 25, 2008.

Notes to the consolidated financial statements continued

(d) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for share options which are based on fair values.

(e) Functional and presentation currency

These consolidated financial statements are presented in United States dollars as the Company believes it to be the most meaningful currency given the nature of its operations. The functional currencies of the Company and its subsidiary are Sterling and Mexican Peso respectively. All financial information presented in United States dollars has been rounded to the nearest thousand.

3. Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

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

(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 balance sheet date 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.

(ii) Financial statements of operations

The assets and liabilities of operations, including goodwill and fair value adjustments arising on consolidation, are translated to US dollars at exchange rates ruling at the balance sheet date. The revenues and expenses of operations and net investments in subsidiaries are translated to US dollars at rates approximating to the exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly as a separate component of equity. They are released into the income statement upon disposal.

(c) Financial instruments

(i) Non-derivative financial instruments

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

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition, non-derivative financial instruments are measured as described below. At December 31, 2007 the fair value equated to the historical cost for all non-derivative instruments.

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

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand are included as a component of cash flows from financing activities, for the purposes of the statement of cash flows.

Notes to the consolidated financial statements
continued

(ii) Share capital
Common shares
Incremental costs directly attributable to issue of common shares and share options are recognised as a deduction from equity.

(d) Property, plant and equipment
(i) Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the estimated costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

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

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

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

(e) Intangible assets
(i) Goodwill
All business combinations are accounted for by applying the purchase method. Goodwill (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 (see accounting policy g). Goodwill arising on acquisition is capitalised and shown within fixed assets. The excess of net assets over consideration paid on an acquisition (negative goodwill) is recognised directly in profit or loss.

(ii) Deferred exploration and evaluation costs
These comprise costs directly incurred in exploration and evaluation as well as the cost of mineral licences. They are capitalised as intangible assets pending the determination of the feasibility of the project. When the decision is taken to develop a mine the related intangible assets are transferred to property, plant and equipment and the exploration and evaluation costs are amortised over the estimated life of the project. Where a project is abandoned or is determined not economically viable, the related costs are written off.

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

Notes to the consolidated financial statements continued

(f) Leased assets
Leases in terms of 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.

Other leases are operating leases and the leased assets are not recognised on the Group's balance sheet.

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

(h) Employee benefits
Share-based payment transactions
The share option programme allows Group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee 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 to the employee. The fair value of the options granted is measured using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except if the change is due to market based conditions not being satisfied.

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

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

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

(k) Income tax expense
Income tax expense comprises current and deferred tax.

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

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. Deferred tax is not recognised for the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries that will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

Notes to the consolidated financial statements continued

(l) Earnings per share

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

(m) Segment reporting

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

4. Segment reporting

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

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

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

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

(i) Business segments

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

(ii) Geographical segments

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

Geographical segments	**Mexico 2007 US $’000**	Mexico 2006 US $’000	**UK 2007 US $’000**	UK 2006 US $’000	**Total 2007 US $’000**	Total 2006 US $’000
Total assets	5,191	1,497	3,245	3,305	8,436	4,802
Capital expenditure on property, plant & equipment	158	103	23	28	181	131
Capital expenditure on intangibles	4,316	1,235	91	-	4,407	1,235

5. Merger with Arian Silver Corporation Ltd and Acquisition of subsidiary

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 $38,000 representing the accumulated profit at that date. This was credited to the income statement immediately.

On May 24, 2006 the Company acquired all the shares of ASCL. by issue of 37,000,003 common shares at a deemed consideration of £0.195 per share and issued 48,899,200 common shares in a two for one issue to acquire all the share capital of ASCL . Goodwill arising on the merger was written off to the income statement immediately. 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.

Notes to the consolidated financial statements continued

Effect of acquisitions
The acquisitions had the following effect on the Group's assets and liabilities.

Acquiree's net assets at the acquisition date	**Carrying Amount US $'000**
Deferred acquisition costs	110
Trade and other receivables	6
Cash and cash equivalents	654
Trade and other payables	(4)
Net identifiable assets and liabilities	766
Goodwill on acquisition	13,665
Consideration paid, satisfied in shares	(14,431)
Net cash acquired	-

The goodwill has been reduced to a nil carrying value on the basis that it arose on the acquisition of Hard Assets Inc., a non-trading company.

The goodwill of $13,665,000 was translated to sterling at the date of the merger as ASCL adopted Sterling as its functional currency. Retranslation of the profit and loss account at the year end using the average method results in the figure being re-translated as $13,484,000.

Consideration paid includes cost of acquisition amounting to $849,000 (legal $465,000, financing fee $233,000, accounting $92,000 and administration $59,000), of which $195,000 has been settled by the issue of common shares.

6. Loss on ordinary activities is stated after charging:	**2007 US $'000**	2006 US $'000
Auditors remuneration		
Audit – Remuneration for audit of the Arian Silver Corporation	**66**	53
Audit – Remuneration for audit of the Arian Silver Mexico	**6**	6
Taxation	**18**	6
Other fees	**-**	73
Depreciation	**45**	23
Exchange (loss)/gain	**(198)**	137

Other services provided by the auditors and their associates primarily relate to support and consultancy for the Canadian and AIM listings.

Notes to the consolidated financial statements continued

7. 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 2007	Number of Employees 2006
Finance and administration	**23**	22
Technical	**27**	15
	50	37

The aggregate payroll costs of these persons were as follows:	**2007 US $'000**	2006 US $'000
Wages and salaries	**1,473**	1,059
Social security costs	**100**	88
Share based payments	**1,121**	947
	2,694	2,094

Remuneration of key management personnel

Key management personnel remuneration is detailed below:

	2007 Salary US $'000	**2007 Fees US $'000**	**2007 Total US $'000**	2006 Total US $'000
Executive Directors (includes remuneration prior to appointment)				
A J Williams	**144**	**-**	**144**	131
J T Williams	**240**	**-**	**240**	218
J S Cable	**80**	**-**	**80**	73
Non-executive Directors (includes remuneration prior to appointment)				
T A Bailey	**30**	**-**	**30**	27
D W Cohen	**30**	**-**	**30**	20
J A Crombie	**-**	**-**	**-**	-
J Merfyn Roberts	**-**	**-**	**-**	20
Dr Braxator	**-**	**-**	**-**	-
Other key management				
Country manager – Mexico	**110**	**-**	**110**	82
Company secretary	**80**	**-**	**80**	73
Total	**714**	**-**	**714**	644

An amount of $1,120,733 has been charged to administration expenses in the income statement for the year (2006: $947,051) in respect of share-based payments to key management personnel.

Notes to the consolidated financial statements continued

8. Finance income and expense

	2007 US $'000	2006 US $'000
Interest income	**62**	71
Finance income	**62**	71
Interest expense	**-**	(5)
Finance expenses	**-**	(5)
Net financing income	**62**	66

9. Income tax expense recognised in the income statement

	2007 US $'000	2006 US $'000
Current tax expense		
Current year	**-**	-
Adjustments for prior years	**-**	-

Reconciliation of effective tax rate	2007 US $'000	2006 US $'000
Loss before tax	**(3,775)**	(17,033)
Income tax using the domestic corporation tax rate (30%)	**(1,121)**	(5,106)
Non-deductible expenses	**290**	38
Share-based payment	**-**	284
Goodwill written off	**-**	4,034
Depreciation in excess of capital allowances	**2**	2
Short term timing differences	**-**	(125)
Tax losses carried forward	**829**	433
Tax exempt expenses	**-**	440
Total tax expense	**-**	-

Tax exempt expenses relate to pre-merger expenditure which is not considered allowable for tax purposes.

At the year end the Group had tax losses to carry forward of approximately US$6,789k (2006: US$1,490k). This includes losses exploration costs expensed under Mexican GAAP but capitalised under IFRS.

Under IFRS a net deferred tax asset of US$1,262k (2006: US$435k) has not been recognised due to the uncertainty as to the amount that can be utilised in the future under tax legislation and the extent and timing of the use of the allowable losses.

Notes to the consolidated financial statements continued

10. Property, plant and equipment	Plant and equipment US $'000	Fixtures and fittings US $'000	Vehicles US $'000	Total US $'000
Cost				
Balance at January 1, 2006	16	-	40	**56**
Additions	38	27	37	**102**
Balance at December 31, 2006	54	27	77	**158**
Balance at January 1, 2007	54	27	77	**158**
Additions	39	22	34	**95**
Balance at December 31, 2007	93	49	111	**253**
Depreciation and impairment losses				
Balance at January 1, 2006	1	-	3	**4**
Depreciation charge for the year	4	5	14	**23**
Balance at December 31, 2006	5	5	17	**27**
Balance at January 1, 2007	5	5	17	**27**
Depreciation charge for the year	13	8	24	**45**
Balance at December 31, 2007	18	13	41	**72**
Carrying amounts				
At December 31, 2007	75	36	70	**181**
At December 31, 2006	49	22	60	**131**

Notes to the consolidated financial statements continued

11. Intangible assets

	Goodwill US $'000	Deferred Exploration costs US $'000	Total US $'000
Cost			
Balance at January 1, 2006	-	253	**253**
Acquisition through business combinations	13,446	-	**13,446**
Additions	-	982	**982**
Balance at December 31, 2006	13,446	1,235	**14,681**
Balance at January 1, 2007	13,446	1,235	**14,681**
Additions	-	3,182	**3,182**
Foreign Exchange	-	(10)	**(10)**
Balance at December 31, 2007	13,446	4,407	**17,853**
Impairment losses and amortisation			
Balance at January 1, 2006	-	-	**-**
Impairment charge	(13,446)	-	**(13,446)**
Balance at December 31, 2006	(13,446)	-	**(13,446)**
Balance at January 1, 2007	(13,446)	-	**(13,446)**
Balance at December 31, 2007	(13,446)	-	**(13,446)**
Carrying amounts			
At December 31, 2007	-	4,407	**4,407**
At December 31, 2006	-	1,235	**1,235**

The goodwill recognised in the table above is a combination of the positive goodwill of $13,484,000 arising on the merger with ASCL and the negative goodwill of $38,000 arising on the acquisition of Arian Silver Corporation (UK) Ltd (note 5).

The deferred exploration cost at December 31, 2007 consisted mainly of costs relating to the three major projects as stated below:

Project	**Carrying value 2007 US $'000**	Carrying value 2006 US $'000
Calicanto	**688**	378
Tepal	**1,394**	294
San Jose	**1,507**	71

Notes to the consolidated financial statements continued

12. Group entities

Significant Subsidiaries	Country of incorporation and operation	Principal activity	Arian Silver Corporation effective interest 2007	2006
Arian Silver de Mexico S.A. de C.V.	Mexico	Exploration	**100%**	100%

13. Trade and other receivables

	2007 US $'000	2006 US $'000
Current receivables due from related parties	**-**	4
Trade receivables	**6**	3
Other receivables	**650**	201
Prepayments	**58**	35
	714	243

14. Cash and cash equivalents

	2007 US $'000	2006 US $'000
Bank balances	**297**	185
Call deposits	**2,837**	3,008
Cash and cash equivalents in the statement of cash flows	**3,134**	3,193

Notes to the consolidated financial statements continued

15. Share capital

Authorised

The Company is authorised 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 related movements of ASCL are shown, together with movements in share capital of the Company following acquisition. Changes for the years ended December 31, 2007 and 2006 are detailed in the following table:

Issued	**2007 Number of Shares 000's**	**2007 Amount US $'000**	2006 Number of Shares 000's	2006 Amount US $'000
Opening balance	**100,683**	**22,448**	19,770	2,604
Shares issued for cash	**-**	**-**	4,400	2,306
Issue costs of share issuance	**-**	**(95)**	-	(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	**12,493**	**4,473**	7	1
Shares issued for cash	**5,454**	**2,779**	14,060	3,136
Exercise of share options	**830**	**247**	300	35
Closing balance	**119,460**	**29,852**	100,683	22,448

During the years ended December 2007 and 2006, the Company made the following share and warrant issues:

2006

During the year, ASCL issued 4,400,000 common shares of US$0.01 each to provide additional working capital of US$2,306,000 and 280,000 common shares of US$0.01 each as consideration in respect of agents commission.

In respect of the merger with ASCL, on May 24, 2006, the Company issued 48,899,200 common shares on the basis of two shares for every one old share. 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.

During the year, the Company issued 416,666 common shares at £0.30 per share in consideration of services provided to the Company of US$245,000.

During the year 300,000 share options and 7,000 share warrants were exercised at Cdn$0.12 and US$0.175 respectively.

During the year the Company issued 14,060,000 common shares at Cdn$0.25 to provide additional working capital of Cdn$3,515,000. In addition, the Company issued 14,060,000 share purchase warrants exercisable for a period of one year at Cdn$0.42 and subject to accelerated exercise conditions at the Company's option.

2007

The Company issued in connection with warrant exercises 2,892,600 common shares at US$0.175 and 9,600,000 at Cdn$0.42. During the year the Company issued 830,000 common shares in connection with exercises of share options at GBP£0.15.

During the year the Company issued 5,454,000 common shares at Cdn$0.55 to provide additional working capital of Cdn$2,999,700. In addition, the Company issued 2,727,250 share purchase warrants exercisable for a period of 24 months at Cdn$0.65 and subject to accelerated exercise conditions at the Company's option.

Notes to the consolidated financial statements continued

16. Capital and reserves

Reconciliation of movement in shareholders equity	Share Capital US $'000	Share based Payment Reserve US $'000	Foreign Exchange Translation Reserve US $'000	Retained Earnings US $'000	Total US $'000
January 1, 2006	2,604	-	2	(1,029)	1,577
Shares issued for cash	5,442	-	-	-	5,442
Share issue costs	(147)	-	-	-	(147)
Shares/options issued on reverse take over	14,121	-	-	-	14,121
Shares issued in lieu of services	392	-	-	-	392
Fair value of share options	-	947	-	-	947
Proceeds from options exercised	35	-	-	-	35
Proceeds from warrants exercised	1	-	-	-	1
Net loss	-	-	-	(17,033)	(17,033)
Foreign exchange loss	-	-	(912)	-	(912)
Balance at December 31, 2006	**22,448**	**947**	**(910)**	**(18,062)**	**4,423**
Shares issued for cash	**2,779**	**-**	**-**	**-**	**2,779**
Warrants exercised	**4,473**	**-**	**-**	**-**	**4,473**
Fair value of share options	**-**	**1,121**	**-**	**-**	**1,121**
Share issue costs	**(95)**	**-**	**-**	**-**	**(95)**
Net loss	**-**	**-**	**-**	**(4,893)**	**(4,893)**
Foreign exchange gain	**-**	**-**	**45**	**-**	**45**
Proceeds from Options exercised	**247**	**-**	**-**	**-**	**247**
Balance at December 31, 2007	**29,852**	**2,068**	**(865)**	**(22,955)**	**8,100**

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

	Common shares 2007 US $'000	2006 US $'000
On issue at January 1	**100,683**	19,770
Issued for cash	**18,777**	18,767
Issued on reverse take-over	**-**	61,449
Issued in lieu of payment for services	**-**	697
On issue at December 31 – fully paid	**119,460**	100,683

At December 31, 2007 and 2006, the authorised share capital comprised unlimited common shares of no par value.

Translation reserve

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

In the year ended December 31, 2006, the retranslation of goodwill written off from Sterling to US Dollars using the average exchange rate for the year, resulted in an exchange loss of $840,000 which was included in the foreign exchange translation reserve.

Notes to the consolidated financial statements continued

17. Loss per share

Basic loss per share

The calculation of basic loss per share at December 31, 2007 was based on the loss attributable to common shareholders of $4,893,000 (2006: $17,033,000) and a weighted average number of common shares outstanding during the year ended December 31, 2007 of 107,957,205 (2006: 70,507,727).

Diluted Loss per share

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

Warrants

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

	2007 Warrants outstanding 000's	**2007 Weighted average exercise price US $**	2006 Warrants outstanding 000's	2006 Weighted average exercise price US $
Opening balance	**17,161**	**0.33**	2,900	0.17
Exercised	**(9,600)**	**(0.39)**	(7)	(0.17)
Exercised	**(2,893)**	**(0.175)**	-	-
Lapsed	**(4,460)**	**(0.39)**	-	-
Lapsed	**(208)**	**(0.60)**	-	-
Issued	**2,727**	**0.61**	14,268	0.36
Closing balance	**2,727**	**0.43**	17,161	0.33

At December 31, 2007 the warrants in issue are analysed below:	**Shares**	**Exercise price**	**Expiry**
	2,727,250	Cdn$0.65	August 1, 2009

Notes to the consolidated financial statements continued

18. Employee benefits

Share-based payments

The Company currently has in place two incentive share 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 a period of up to ten years and the Board of Directors determines the vesting provisions of each option granted, which may vary. The aggregate number of shares which may be issued and sold under the Plans may not exceed 10% of issued share capital. As at December 31, 2007 a total of 2,160,997 options remained available for grant under the Plans.

A summary of the Company's share options (as adjusted to reflect the terms of the merger referred to in note 5) for the years ending December 31, 2007 and 2006 is set out below:

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

	2007 Outstanding 000's	**2007 Weighted average exercise price US $**	2006 Outstanding 000's	2006 Weighted average exercise price US $
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	**500**	**0.52**	350	0.5
	255	**0.45**	-	-
	200	**0.68**	-	-
	4,055	**0.54**	-	-
	200	**0.42**	-	-
Exercised	**(830)**	**(0.30)**	(300)	(0.11)
Lapsed	**(25)**	**(0.54)**	-	-
Balance – end of period	**10,535**	**0.41**	6,180	0.29

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

At December 31, 2007 the share options in issue are analysed below:

Outstanding shares	**Exercise price**	**Expiry**
350,000	US$0.50	April 13, 2008
5,000,000	GBP£0.15	January 01, 2009
500,000	GBP£0.245/Cdn$0.56	February 22, 2010
255,000	GBP£0.225/Cdn$0.56	February 27, 2010
200,000	GBP£0.34	May 24, 2008
4,030,000	GBP£0.27/Cdn$0.57	June 13, 2010
200,000	GBP£0.20/Cdn$0.40	December 02, 2010

The weighted average remaining contractual life of share options as at December 31, 2007 was 614 days.

Notes to the consolidated financial statements continued

The terms and conditions of the share options held by senior management and all employees is shown below:

Holder	Shares	Exercise price	Grant Date	Vesting Date	Expiry
A Williams	1,000,000	£0.27	June 14, 2007	June 14, 2007	June 30, 2010
	1,200,000	£0.15	February 01, 2006	June 15, 2006	January 31,2009
J Williams	1,000,000	£0.27	June 14, 2007	June 14, 2007	June 30, 2010
	1,200,000	£0.15	February 01, 2006	June 15, 2006	January 31,2009
J Cable	400,000	£0.27	June 14, 2007	June 14, 2007	June 30, 2010
	400,000	£0.15	February 01, 2006	June 15, 2006	January 31,2009
D Cohen	500,000	£0.15	February 01, 2006	June 15, 2006	January 31,2009
T Bailey	400,000	£0.15	February 01, 2006	June 15, 2006	January 31,2009
J Crombie	500,000	£0.245	February 23, 2007	February 23, 2007	February 22, 2010
Senior management	500,000	£0.27	June 14, 2007	June 14, 2007	June 13, 2010
	275,000	£0.27	June 14, 2007	October 14, 2007	June 13, 2010
	275,000	£0.27	June 14, 2007	April 14, 2008	June 13, 2010
	850,000	£0.15	February 01, 2006	June 15, 2006	January 31,2009
	50,000	£0.15	February 01, 2006	February 01, 2007	January 31,2009
Other employees	105,000	£0.225	February 28, 2007	June 28, 2007	February 27, 2010
	105,000	£0.225	February 28, 2007	December 28, 2007	February 27, 2010
	165,000	£0.27	June 14, 2007	October 14, 2007	June 13, 2010
	165,000	£0.27	June 14, 2007	April 14, 2008	June 13, 2010
	50,000	£0.20	December 03, 2007	April 03, 2008	December 02, 2010
	75,000	£0.20	December 03, 2007	August 03, 2008	December 02, 2010
	75,000	£0.20	December 03, 2007	December 03, 2008	December 02, 2010
	35,000	£0.15	February 01, 2006	June 15, 2006	January 31,2009
	35,000	£0.15	February 01, 2006	February 01, 2007	January 31,2009
Other share options at December 31, 2007					
Share options issued to third parties	50,000	£0.34	May 05, 2007	August 03, 2007	May 24, 2008
	50,000	£0.34	May 05, 2007	November 03, 2007	
	50,000	£0.34	May 05, 2007	February 03, 2008	
	50,000	£0.34	May 05, 2007	May 03, 2008	
	350,000	US $0.50	April 13, 2006	April 13, 2006	April 13, 2008

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 contractual lives of the options (2-3 years) are used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes model.

Notes to the consolidated financial statements continued

Fair value of share options and assumptions	2007	2006
Fair value at measurement date	**$2,068,000**	$947,000
Share price December 31, 2007	**$0.525**	-
Share price December 31, 2006	**-**	$0.303
Exercise price	**$0.40**	$0.28
Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes model)	**60%**	80%
Option life (expressed as weighted average life used in the modelling under Black-Scholes model)	**2-3 yrs**	2-3 yrs
Expected dividends	**0%**	0%
Risk-free interest rate (based on national government bonds)	**4.75%**	3.98% to 4.18%

The expected volatility is based on the historical share price of the Arian Silver Corporation. There are no market conditions associated with the share option grants. The fair value of stock options granted for the year ended December 31, 2007 was $1,121,000 (2006: $947,000) which was expensed in the income statement.

Employee expenses	2007 US $'000	2006 US $'000
Share options granted in 2006	**-**	947
Share options granted in 2007	**1,121**	-
Total expense recognised as employee costs	**1,121**	947

19. Trade and other payables

	2007 US $'000	2006 US $'000
Payables due to related parties	**134**	140
Trade payables	**88**	85
Other payables	**114**	148
	336	373

Notes to the consolidated financial statements continued

20. Financial instruments

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

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

Effective interest rates and deposit terms

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

	2007 Effective interest rate	**2007 Total US $'000**	**2007 Six months or less US $'000**	2006 Effective interest rate	2006 Total US $'000	2006 Six months or less US $'000
Call Deposits	**3.90%**	**2,837**	**2,837**	4.00%	3,008	3,008
		2,837	**2,837**		3,008	3,008

Foreign currency risk

The Group's exploration expenditure is made in Mexico in Mexican Peso and head office expenses are predominantly made in London in Pounds Sterling and US dollars. The Group is therefore exposed to the movement in exchange rates for these currencies. The Group does not currently hedge foreign exchange risk but seeks to minimise cash held in foreign currencies. This situation is monitored.

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

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

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

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

Cash Held	**2007 US $'000**	2006 US $'000
Pounds Sterling	**52**	67
United States Dollars	**191**	16
Canadian Dollars	**2,882**	3,096
Mexican Pesos	**9**	14
	3,134	3,193

Fair values

The fair values of the Groups financial instruments reflect the carrying amounts shown in the balance sheet.

Notes to the consolidated financial statements continued

Capital Management

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

The Group's capital structure comprises all components of equity (i.e. common share capital, share premium, retained earnings and other reserves.) At 31 December 2007 the Group has no debt. When considering the future capital requirements of the Group and the potential to fund specific project development via debt the Directors consider the risk characteristics of all of the underlying assets in assessing the optimal capital structure.

Sensitivity Analysis

As a result of the Group's fundraising being in Canadian dollars and its main assets and subsidiaries being held in Mexico and having a functional currency different than the presentation currency (note 2(e)), the Group's balance sheet can be affected significantly by movements in the United States dollar to the Canadian dollar and Mexico Peso.

Foreign currency risk sensitivity analysis:	**Profit/Loss 2007 US $'000**	Profit/Loss 2006 US $'000	**Equity 2007 US $'000**	Equity 2006 US $'000
If there was a 10% weakening of Peso against USD $ with all other variables held constant – increase/(decrease)	**-**	-	**(86)**	(34)
If there was a 10% strengthening of Peso against USD $ with all other variables held constant – increase/(decrease)	**-**	-	**106**	41
If there was a 10% weakening of Canadian Dollar against USD $ with all other variables held constant – increase/(decrease)	**(20)**	(44)	**(279)**	(266)
If there was a 10% strengthening of Canadian Dollar against USD $ with all other variables held constant – increase/(decrease)	**20**	10	**279**	266

21. Future project expenditure

The Company does not have any capital commitments at December 31, 2007 (2006: nil).

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

(a) In order to maintain the Company's interest in the Calicanto property, the Company is required to pay, over the period to June 30, 2011, $370,000 in option payments. At December 31, 2007, $156,000 had been paid.

(b) In relation to the Tepal option agreement the Company is required to pay the vendor $5 million in instalments over the five-year period through to June 2011 and will also grant the vendor a Net Smelter Return ("NSR") of 2.5%. The company has the right of first refusal to buy out the NSR for an unspecified amount. At December 31, 2007, $800,000 had been paid.

(c) In relation to the San Jose option agreement the Company is required to pay the vendor $1.5 million in instalments over the three-year period through to 2009 and will also grant the vendor a NSR of 2%. At December 31, 2007, $288,000 had been paid.

(d) In relation to the Las Reinas option, at December 31, 2007, $50,000 had been paid by the Company. However, no further option payments will be made as the Company will not be proceeding with its interest in this property group and is allowing the option to lapse.

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

In addition, the Company has planned expenditure on the various exploration programmes.

Notes to the consolidated financial statements continued

22. Related parties

Control of the Group
In the opinion of the Directors, there is no ultimate controlling entity of the Group.

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

Transactions with key management personnel
Directors of the Company and their immediate relatives control 7.4% per cent of the voting shares of the Company. During the year ended December 31, 2007 the Company entered into the following transactions involving related parties:

Companies in the Dragon Group charged the Company a total of $934,859 (2006: $671,155) 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.

Endeavour Financial Limited ("EF") charged the Company a total of $69,599 (2006: $43,020) in respect of acting as financial adviser to the Company and, up to the date of the Merger, for the provision of office facilities. Gordon Keep, a director of the Company up to the date of the Merger, is a director of EF.

Anfield Sujir Kennedy & Durno ("ASKD") charged the Company a total of nil (2006 $86,895). Henry Jay Sujir, a director of the Company up to the date of the Merger, is a partner in ASKD.

Kopane Diamond Developments PLC ("KDD") charged the Company a total of $105,386 (2006: $82,594) in respect of a recharge of remuneration on behalf of the Company. James Cable and Tony Williams are Directors of the Company and KDD.

Transactions with subsidiaries were as follows:

The Company made loans to Arian Silver de Mexico S.A. de C.V. ("Arian Mexico") of $4,332,246 (2006: $986,790) and paid charges on behalf of Arian Mexico of $40,849 (2006: $32,647). A management fee of $10,352 was also charged to Arian Mexico (2006: nil).

Arian Silver Corporation (UK) Limited ("Arian UK") charged the Company a total of nil (2006: $783,821) in respect of staff payroll and other costs and was charged by the Company nil (2006: $101,334) in respect of management fees. In addition the Company made loans to Arian UK of nil (2006: $136,443).

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

Executive officers also participate in the Group's share option programme (see note 18).

The key management personnel compensations are shown in Personnel expense (see note 7).

The Directors who held office at the end of the financial year held the following common shares of the company:

	Shares held at December 31, 2007	Shares held at January 1, 2007
A J Williams	2,050,000	2,050,000
J T Williams	6,800,000	6,800,000

There have been no changes in the Directors' shares held between January 1, 2008 and the date of this report.

Notes to the consolidated financial statements
continued

23. Accounting estimates and judgements

Management discussed with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

24. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Many of the amounts included in the financial statements involve the use of judgement and/or estimation. These judgements and estimates are based on managements' best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the financial statements.

Information about such judgements and estimation is contained in the accounting policies and/or the Notes to the financial statements, and the key areas are summarised below. Areas of judgement that have the most significant effect on the amounts recognised in the financial statements:

Capitalisation and impairment of exploration and evaluation costs – Note 3e, 3g, 11

Estimation of share based compensation amounts – Note 3h, 18

Company information

Directors	Anthony (Tony) J. Williams, Chairman and Director James (Jim) T. Williams, Chief Executive Officer and Director James S. Cable, Director James A. Crombie, Director Thomas A. Bailey, Director David W. Cohen, Director
Company Secretary and Chief Financial Officer	Graham A. Potts
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Broker	Haywood Securities (UK) Ltd Ryder Court 14 Ryder Street London, SW1Y 6QB England
Auditors	PKF (UK) LLP Farringdon Place 20 Farringdon Road London, EC1M 3AP England
Registrar	Computershare Investor Services 100 University Avenue Toronto, Ontario, M5J 2Y1 Canada
Stock Exchanges	The 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)

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