



ARIAN SILVER CORPORATION

Interim Consolidated Financial Statements
(Unaudited)

For the Second Quarter and Six Months ended June 30, 2007
(In U.S. dollars)

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

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

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

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

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

	Unaudited 2007 \$'000	Audited 2006 \$'000
Assets		
Property, plant and equipment	168	131
Intangible assets	2,534	1,235
Total non-current assets	2,702	1,366
Trade and other receivables	432	243
Cash and cash equivalents	1,248	3,193
Total current assets	1,680	3,436
Total assets	4,382	4,802
Equity		
Share capital	23,693	22,448
Share based payment reserve	1,780	947
Foreign exchange translation reserve	(917)	(910)
Retained loss	(20,658)	(18,062)
Total equity	3,898	4,423
Bank overdraft	-	6
Trade and other payables	484	373
Total current liabilities	484	379
Total liabilities	484	379
Total equity and liabilities	4,382	4,802

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

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

	3 Months ended June 30		6 Months ended June 30	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Administrative expenses	(1,563)	(631)	(2,624)	(1,954)
Goodwill written off	-	(13,665)	-	(13,631)
Operating loss before financing costs	(1,563)	(14,296)	(2,624)	(15,585)
Finance income	10	20	28	31
Net financing costs	10	20	28	31
Loss before tax	(1,553)	(14,276)	(2,596)	(15,554)
Loss for the period	(1,553)	(14,276)	(2,596)	(15,554)
Basic and diluted loss per share (\$)	(0.01)	(0.22)	(0.02)	(0.29)
Consolidated Statement of recognised income and expense				
Foreign exchange translation differences recognised directly in equity				
- in respect of re-translation of net investment in subsidiaries	26	-	23	-
- in respect of presentation of financial statements in United States dollars	(29)	-	(30)	-
Loss for the period	(1,553)	(14,276)	(2,596)	(15,554)
Total recognised income and expense for the period	(1,556)	(14,276)	(2,603)	(15,554)

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

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

	3 Months ended		6 Months ended	
	June 30		June 30	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Loss for the period	(1,563)	(14,296)	(2,624)	(15,585)
Adjustments for:				
Depreciation	8	2	14	5
Goodwill written off	-	13,665	-	13,631
Exchange Difference	79	43	52	33
Equity-settled share-based payment transactions	715	55	834	866
	(761)	(531)	(1,724)	(1,050)
Change in trade and other receivables	(92)	(43)	(189)	1,316
Change in trade and other payables	129	(42)	112	(50)
Net cash used in operating activities	(724)	(616)	(1,801)	216
Cash flows from investing activities				
Interest received	10	20	28	31
Cash cost of acquisition of Hard Assets Inc.	-	353	-	353
Acquisition of intangibles	(923)	(199)	(1,288)	(234)
Acquisition of property, plant and equipment	(24)	(42)	(51)	(55)
Net cash used in investing activities	(937)	132	(1,311)	95
Cash flows from financing activities				
Proceeds from issue of share capital	846	1,978	1,264	2,178
Bank overdraft	-	-	(6)	-
Net cash from financing activities	846	1,978	1,258	2,178
Net increase in cash and cash equivalents				
Cash and cash equivalents – beginning of period	2,190	1,093	3,193	98
Effect of exchange rate fluctuations on cash held	(127)	-	(91)	-
Cash and cash equivalents at June 30	1,248	2,587	1,248	2,587

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

	Share Capital	Share Based payment reserve	Foreign exchange translation reserve	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Period to June 30, 2006					
Opening balance	2,604	-	2	(1,029)	1,577
Goodwill written off	-	-	-	(13,631)	(13,631)
Shares issued for cash	2,200	-	-	-	2,200
Shares issued for consulting services	234	-	-	-	234
Fair value of share options	-	866	-	-	866
Shares issued on reverse take over	13,471	-	-	-	13,471
Net loss	-	-	-	(1,879)	(1,879)
Balance June 30, 2006	18,509	866	2	(16,539)	2,838
Period to June 30, 2007					
Opening Balance	22,448	947	(910)	(18,062)	4,423
Share issue costs	(94)	-	-	-	(94)
Fair value of share options	-	833	-	-	833
Proceeds from options exercised	238	-	-	-	238
Proceeds from warrants exercised	1,101	-	-	-	1,101
Net loss	-	-	-	(2,596)	(2,596)
Foreign exchange loss	-	-	(7)	-	(7)
Balance June 30, 2007	23,693	1,780	(917)	(20,658)	3,898

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

1. Summary of Significant Accounting Policies

These interim unaudited consolidated financial statements for Arian Silver Corporation (“ASC” or the “Company”) are consistent with the principles of International Financial Reporting Standards (“IFRSs” or “IFRS”).

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

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

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

In July, 2007 \$2.6 million of further funds were received from the placement of shares. The directors have reviewed the Group’s cash flow forecast and believe that the Company has sufficient working capital following this funding to cover ongoing obligations as they become due over a 12 month period. They therefore consider it appropriate to prepare the financial statements on a going concern basis.

2. Merger with Arian Silver Corporation Ltd

The Company was previously named Hard Assets Inc. until its merger with Arian Silver Corporation Limited (“ASCL”) on May 24, 2006 whereupon it was renamed Arian Silver Corporation 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.

3. Intangible assets

(i) Goodwill

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

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

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(ii) Deferred Exploration and Evaluation Costs

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

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

4. Intangible assets

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

	2007	2006
	\$'000	\$'000
Opening balance	1,235	253
Additions for the period	1,299	14,428
Impairment charge	-	(13,446)
Closing balance	<u>2,534</u>	<u>1,235</u>

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

5. Acquisition of Arian Silver Corporation (UK) Limited

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

6. Share capital

a) Authorised

The Company is 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 movements of ASCL are shown, together with movements in share capital of the Company following acquisition. Changes for the six months ended June 30, 2007 and the year ended December 31, 2006 are detailed in the following table:

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(In U.S. dollars)

	2007		2006	
	Number of Shares '000	Amount \$'000	Number of Shares '000	Amount \$'000
Opening balance	100,683	22,448	19,770	2,604
Shares issued for cash	-	-	4,400	2,306
Issue costs of share issuance	-	(94)	-	(147)
Shares issued for consulting services	-	-	280	147
ASCL shares at date of acquisition	-	-	24,450	4,910
Shares issued on reverse take over of ASCL	-	-	48,899	4,910
Shares in issue upon reverse take over	-	-	37,000	14,121
Shares issued for consulting services	-	-	417	245
Exercise of warrants	4,508	1,101	7	1
Shares issued for cash	-	-	14,060	3,136
Exercise of share options	800	238	300	35
Closing balance	105,991	23,693	100,683	22,448

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

Six months ended June 30, 2007

In 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.

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

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

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

In 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.

Year ended December 31, 2006

In 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.

In 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.

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

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finance fee.

In July, 2006 the Company issued 300,000 common shares in relation to the exercise of share options at Cdn\$0.12 per share.

In September, 2006 the Company issued 7,000 common shares in relation to the exercise of warrants at \$0.175 per share.

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

b) Share based payment reserve

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

	2007	2006
	\$'000	\$'000
Opening balance	947	-
Incentive stock options vested	833	947
Balance - end of period	<u>1,780</u>	<u>947</u>

c) Foreign exchange translation reserve

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

	2007	2006
	\$'000	\$'000
Opening balance	(910)	2
Movement in the period	(7)	(912)
Balance - end of period	<u>(917)</u>	<u>(910)</u>

d) Share purchase warrants

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

	2007		2006	
	Warrants outstanding	Weighted average exercise price	Warrants outstanding	Weighted average exercise price
	'000	\$	'000	\$
Opening balance	17,161	0.33	2,900	0.17
Exercised	(4,717)	(0.33)	(7)	(0.17)
Issued	-	-	14,268	0.36
Closing balance	<u>12,444</u>	<u>0.33</u>	<u>17,161</u>	<u>0.33</u>

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

Shares	Exercise price	Expiry
12,444,000	Cdn\$0.42	November 30, 2007

e) Incentive stock options

The Company currently has in place two incentive stock option plans (the "Plans") covering directors, officers, employees and consultants of the Company and its subsidiary companies. The exercise price of a future option grant will be determined by the Board of Directors on the basis of the closing market price of the Company's shares on the trading day prior to the date of issue of the option. Options may be granted for periods of up to ten years and the Board of Directors determines the vesting provisions of each option granted, which may vary. The aggregate number of shares which may be issued and sold under the Plans may not exceed 10% of issued share capital. As at June 30, 2007, a total of 209,146 options remained available for grant under the Plans.

A summary of the Company's stock options (as adjusted to reflect the terms of the merger referred to in note 2) for the six months ended June 30, 2007 and the year ended December 31, 2006, is set out below:

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

	2007		2006	
	Out-standing	Weighted average exercise price	Out-standing	Weighted average exercise price
	'000	\$	'000	\$
Opening balance	6,180	0.29	-	-
Options assumed on acquisition of Hard Assets Inc.	-	-	300	0.11
Issued on acquisition of ASCL*	-	-	5,830	0.28
Issued	5,010	0.47	350	0.5
Exercised	(800)	0.31	(300)	(0.11)
Balance – end of period	10,390	0.31	6,180	0.29

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

f) Stock based compensation

The fair value of stock options granted for the six months ended June 30, 2007 was \$833,000 (same period in 2006 - \$866,000) which was expensed in the statement of operations.

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

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

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

7. Related party transactions

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

Transactions with key management personnel

Companies in the Dragon Group charged the Company a total of \$415,023 (2006: \$134,505) in respect of the provision of staff, office facilities, general office overheads and re-charged costs incurred on behalf of the Company. Tony Williams, Chairman and a director of the Company, beneficially owns the Dragon Group. At June 30, 2007 \$43,670 was outstanding (2006:nil).

Endeavour Financial Limited ("EF") charged the Company a total of \$nil (2006: \$11,428) in respect of the provision of office facilities incurred on behalf of the Company. Gordon Keep, a director of the Company up to the date of the merger, is a director of EF.

Endeavour Financial International Corp ("EFC") charged the Company a total of \$30,000 (2006: \$nil) in respect of financial advisory services incurred on behalf of the Company. Tony Williams, Chairman and a director of the Company, is a shareholder of EFC.

European Diamonds PLC ("EPD") charged the Company a total of \$45,120 (2006: \$45,120) in respect of a recharge of remuneration paid on behalf of the Company. James Cable and Tony Williams are Directors of the Company and EPD. At June 30, 2007 \$7,404 was outstanding (2006: nil).

Transactions with subsidiaries were as follows:

The Company made loans to Arian Silver de Mexico S.A. de C.V. ("Arian Mexico") of \$2,104,309 (2006: \$505,000).

Arian Silver Corporation (UK) Limited ("Arian UK") charged the Company a total of \$nil (2006: \$323,000) in respect of staff payroll and other costs.

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

8. Income taxes

No corporate or deferred tax charge or credit arises in respect of the six months ended June 30, 2007 and 2006. The loss arising in the period gives rise to tax losses that are equivalent to a potential tax asset of \$0.5 million (2006 - \$0.3 million).

At June 30, 2007, the Group had tax losses to carry forward of \$3 million (2006: \$1 million). The potential deferred tax asset of \$0.9 million (2006: \$0.3 million) has not been recognised in respect of these losses due to the uncertainty as to the incidence and timing of future taxable profits against which the assets can be recovered.

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9. Segmented reporting

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

10. Subsequent events

In July, 2007 the Company issued 5,454,000 units at Cdn\$0.55 per share (consisting of one common share of the Company and one half of a common share purchase warrant) in connection with a private placement of shares.