



ARIAN SILVER CORPORATION

**Interim Consolidated
Financial Statements
(Unaudited)**

**Three and Six Months ended June 30, 2008
(In thousands of 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 (Unaudited)
At June 30, 2008 and December 31, 2007
(In U.S. dollars)

	2008 \$'000	2007 \$'000
Assets		
Property, plant and equipment	238	181
Intangible assets	7,480	4,407
Total non-current assets	7,718	4,588
Trade and other receivables	1,132	714
Cash and cash equivalents	900	3,134
Total current assets	2,032	3,848
Total assets	9,750	8,436
Equity		
Share capital	32,629	29,852
Share-based payment reserve	2,232	2,068
Foreign exchange translation reserve	(795)	(865)
Retained loss	(24,499)	(22,955)
Total equity	9,567	8,100
Trade and other payables	183	336
Total current liabilities	183	336
Total liabilities	183	336
Total equity and liabilities	9,750	8,436

*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, 2008 and June 30, 2007
(In U.S. dollars)

	3 Months ended June 30		6 Months ended June 30	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Administrative expenses	(643)	(1,564)	(1,564)	(2,625)
Operating loss before financing costs	(643)	(1,564)	(1,564)	(2,625)
Finance income	2	10	20	28
Net financing costs	2	10	20	28
Loss before tax	(641)	(1,554)	(1,544)	(2,597)
Loss for the period	(641)	(1,554)	(1,544)	(2,597)
Basic and diluted loss per share (\$)	(0.01)	(0.01)	(0.01)	(0.02)
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	(7)	26	(3)	23
- in respect of presentation of financial statements in United States dollars	71	(29)	73	(30)
Loss for the period	(641)	(1,554)	(1,544)	(2,597)
Total recognised income and expense for the period	(577)	(1,557)	(1,474)	(2,604)

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, 2008 and June 30, 2007
(In U.S. dollars)

	3 Months ended		6 Months ended	
	June 30		June 30	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Loss for the period	(643)	(1,564)	(1,564)	(2,625)
Adjustments for:				
Depreciation	12	8	23	14
Exchange Difference	(188)	80	(238)	53
Equity-settled share-based payment transactions	104	715	164	834
	(715)	(761)	(1,615)	(1,724)
Change in trade and other receivables	(276)	(92)	(405)	(189)
Change in trade and other payables	(183)	129	(154)	112
Net cash used in operating activities	(1,174)	(724)	(2,174)	(1,801)
Cash flows from investing activities				
Interest received	2	10	20	28
Acquisition of intangibles	(1,776)	(923)	(2,963)	(1,288)
Acquisition of property, plant and equipment	(45)	(24)	(80)	(51)
Net cash used in investing activities	(1,819)	(937)	(3,023)	(1,311)
Cash flows from financing activities				
Proceeds from issue of share capital	2,777	846	2,777	1,264
Bank overdraft	-	-	-	(6)
Net cash from financing activities	2,777	846	2,777	1,258
Net increase in cash and cash equivalents				
Cash and cash equivalents opening balance	851	2,190	3,134	3,193
Effect of exchange rate fluctuations on cash held	265	(127)	186	(91)
Cash and cash equivalents at June 30	900	1,248	900	1,248

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Arian Silver Corporation
Consolidated Statement of Changes in Equity (Unaudited)
For the six months ended June 30, 2008
(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, 2007					
Opening Balance	22,448	947	(910)	(18,062)	4,423
Shares issued for cash	(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
Period to June 30, 2008					
Opening Balance	29,852	2,068	(865)	(22,955)	8,100
Fair value of share options	-	60	-	-	60
Net loss	-	-	-	(903)	(903)
Foreign exchange loss	-	-	(8)	-	(8)
Balance March 31, 2008	29,852	2,128	(873)	(23,858)	7,249
Fair value of share options	-	104	-	-	104
Shares issued for cash	2,938	-	-	-	2,938
Share issuance costs	(161)	-	-	-	(161)
Net loss	-	-	-	(641)	(641)
Foreign exchange gain	-	-	78	-	78
Balance June 30, 2008	32,629	2,232	(795)	(24,499)	(9,567)

Arian Silver Corporation
Notes to Consolidated Financial Statements (Unaudited)
For the six months ended June 30, 2008 and June 30, 2007
(In U.S. dollars)

1. Basis of preparation, going concern and adequacy of project finance

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

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

The accounting policies and methods of computation used in the preparation of the unaudited consolidated financial information are the same as those described in the Company's audited consolidated financial statements and notes thereto for the year ended 31 December 2007. In the opinion of the management, the accompanying interim financial information includes all adjustments considered necessary for fair and consistent presentation of financial statements. These interim consolidated financial statements should be read in conjunction with the Company's audited financial statements and notes for the year ended 31 December 2007.

The Company's current cash balances are such that it will require additional funding within the next month to meet its working capital requirements. In addition a property option payment is due in December 2008 which will need to be paid in order to maintain that property interest in good standing. The aggregate funding requirement is currently estimated to be circa \$2 million in the short-term.

The only sources of funds currently available to the Company are through the issue of equity capital, the possible exercise of outstanding share options and warrants, the sale of its interests in one of more of its projects, or the entering into of joint ventures.

Management of the Company intends to obtain such funding via the equity markets. Since the Company is at an early stage of development, it will likely only be able to raise such funds in several discrete tranches, which is not uncommon for junior mineral exploration companies. Although the Company has been successful in the past in raising equity finance, there can be no assurance that the funding required by the Company will be made available to it when needed or, if such funding were to be available, that it would be offered on reasonable terms. The terms of such financing might not be favourable to the Company and might involve substantial dilution to existing shareholders.

The directors of the Company currently believe that the required additional funding can be obtained by the Company in the near future. In view of this, they consider it appropriate to prepare the Company's financial statements on a going concern basis. However, if the Company is unable to raise sufficient financing, it may not be able to meet its ongoing working-capital and other expenditure requirements. If these circumstances arose this would cast significant doubt on the Company's ability to continue as a going concern.

2. Intangible assets

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.

Arian Silver Corporation
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For the six months ended June 30, 2008 and June 30, 2007
(In U.S. dollars)

Changes in intangible assets for the six months ended June 30, 2008 and the year ended December 31, 2007 are detailed in the following table:

	2008	2007
	\$'000	\$'000
Opening balance	4,407	1,235
Additions for the period	2,963	3,182
Foreign Exchange	110	(10)
Closing balance	7,480	4,407

The balances at June 30, 2008 and at December 31, 2007 relate entirely to deferred exploration and development costs.

3. 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.

4. Share capital

a) Authorised

The Company is authorized to issue unlimited common shares of no par value. Changes in share capital for the six months ended June 30, 2008 and the year ended December 31, 2007 are detailed in the following table:

	2008		2007	
	Number of Shares	Amount	Number of Shares	Amount
	'000	\$'000	'000	\$'000
Opening balance	119,460	29,852	100,683	22,448
Shares issued for cash	12,092	2,938	5,454	2,779
Issue costs of share issuance		(161)	-	(95)
Exercise of warrants			12,493	4,473
Exercise of share options			830	247
Closing balance	131,552	32,629	119,460	29,852

Arian Silver Corporation
Notes to Consolidated Financial Statements (Unaudited)
For the six months ended June 30, 2008 and June 30, 2007
(In U.S. dollars)

During the six months ended June 30, 2008 and the year ended December 31, 2007 the Company made the following share issues:

Six months ended June 30, 2008

During the six months the Company issued 12,092,000 common shares at Cdn\$0.25 to provide additional working capital of Cdn\$3,023,000.

Year ended December 31, 2007

During the year the Company issued:

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

b) Share based payment reserve

A summary of the changes in the Company's contributed surplus for the six months ended June 30, 2008 and the year ended December 31, 2007, is set out below:

	2008	2007
	\$'000	\$'000
Opening balance	2,068	947
Incentive stock options vested	164	1,121
Balance - end of period	2,232	2,068

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, 2008 and the year ended December 31, 2007, is set out below:

	2008	2007
	\$'000	\$'000
Opening balance	(865)	(910)
Movement in the period	70	45
Balance - end of period	(795)	(865)

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d) Share purchase warrants

A summary of the changes in the Company's share purchase warrants for the six months ended June 30, 2008 and the year ended December 31, 2007 is set out below:

	2008		2007	
	Warrants outstanding	Weighted average exercise price	Warrants outstanding	Weighted average exercise price
	'000	\$	'000	\$
Opening balance	2,727	0.43	17,161	0.33
Exercised	-		(9,600)	(0.39)
Exercised	-		(2,893)	(0.175)
Lapsed	-		(4,460)	(0.39)
Lapsed	-		(208)	(0.60)
Issued	6,046	0.35	2,727	0.61
Closing balance	8,773	0.37	2,727	0.43

At June 30, 2008 the warrants in issue are analysed below:

Shares	Exercise price	Expiry
2,727,250	Cdn\$0.65	August 1, 2009
6,046,000	Cdn\$0.35	November 28, 2009

e) Incentive stock options

The Company currently has in place two incentive stock option plans (the "Plans") covering directors, officers, employees and consultants of the Company and its subsidiary companies. The exercise price of a future option grant will be determined by the Board of Directors on the basis of the closing market price of the Company's shares on the trading day prior to the date of issue of the option. Options may be granted for periods of up to ten years and the Board of Directors determines the vesting provisions of each option granted, which may vary. The aggregate number of shares which may be issued and sold under the Plans may not exceed 10% of issued share capital. As at June 30, 2008, a total of 290,147 options remained available for grant under the Plans.

A summary of the Company's stock options as at June 30, 2008 is set out below:

	No. of shares	Exercise price	Expiry
Directors	3,200,000	GB£0.15	January 31, 2009
	500,000	Cdn\$0.56/GB£0.245	February 22, 2010
	2,400,000	Cdn\$0.57/GB£0.27	June 13, 2010
	1,500,000	Cdn\$0.25/GB£0.12	June 04, 2013
Senior Management	800,000	GB£0.15	January 31, 2009
	1,000,000	Cdn\$0.57/GB£0.27	June 13, 2010
	1,350,000	Cdn\$0.25/GB£0.12	June 04, 2013

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	No. of shares	Exercise price	Expiry
Other Employees	170,000	GB£0.15	January 31, 2009
	110,000	Cdn\$0.51/GB£0.225	February 27, 2010
	305,000	Cdn\$0.57/GB£0.27	June 13, 2010
	330,000	Cdn\$0.25/GB£0.12	June 04, 2013
Third parties	500,000	GB£0.15	January 31, 2009
	50,000	Cdn\$0.57/GB£0.27	June 13, 2010
	112,500	Cdn\$0.30	June 19, 2010
	112,500	Cdn\$0.40	June 19, 2010
	112,500	Cdn\$0.50	June 19, 2010
	112,500	Cdn\$0.60	June 19, 2010
	200,000	Cdn\$0.25/GB£0.12	June 04, 2013

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

	2008		2007	
	Outstanding	Weighted average exercise price	Outstanding	Weighted average exercise price
	000's	price \$	000's	price \$
Opening balance	10,535	0.41	6,180	0.29
Issued	3,380	0.24	500	0.52
	113	0.60	255	0.45
	112	0.80	200	0.68
	113	1.00	4,055	0.54
	112	1.20	200	0.42
Exercised	-	-	(830)	(0.30)
Lapsed	(330)	0.30	(25)	(0.54)
	(200)	0.40	-	-
	(145)	0.45	-	-
	(350)	0.50	-	-
	(275)	0.54	-	-
	(200)	0.68	-	-
Balance – end of period	12,865	0.38	10,535	0.41

f) Stock-based compensation

The fair value of stock options granted for the six months ended June 30, 2008 was \$164,000 (2007 - \$833,000) 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:

	2008	2007
Risk free interest rate	4.75%	4.75%
Expected dividend yield	0%	0%
Expected stock price volatility	62%	57%
Expected option life in years	2 to 5 years	1 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.

5. 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, 2008 and 2007 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 \$425,534 (2007: \$415,023) 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, 2008 \$75,593 was outstanding (2007: \$43,670).

Kopane Diamond Developments ("KDD") charged the Company a total of \$16,879 (2007: \$45,120) 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. At June 30, 2008 \$8,439 was outstanding (2007: \$7,404).

Transactions with subsidiaries were as follows:

The Company made loans to Arian Silver de Mexico S.A. de C.V of \$3,108,142 (2007: \$1,809,000).

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

6. 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.