



ARIAN SILVER CORPORATION

**Interim Consolidated
Financial Statements
(Unaudited)**

**Three Months ended 31 March, 2009
(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 Statement of Financial Position (Unaudited)
At 31 March, 2009 and 31 December, 2008
(In U.S. dollars)

	2009 \$'000	2008 \$'000
Assets		
Property, plant and equipment	110	135
Intangible assets	6,223	6,038
Investments – available for sale assets	972	-
Total non-current assets	7,305	6,173
Trade and other receivables	646	625
Cash and cash equivalents	247	753
Total current assets	893	1,378
Total assets	8,198	7,551
Equity		
Share capital	34,436	33,303
Share-based payment reserve	1,383	2,184
Foreign exchange translation reserve	(2,145)	(1,973)
Available for sale reserve	(161)	-
Retained loss	(25,882)	(26,218)
Total equity	7,631	7,296
Trade and other payables	258	255
Loan	309	-
Total current liabilities	567	255
Total liabilities	567	255
Total equity and liabilities	8,198	7,551

*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 Income Statement (Unaudited)
For the three months ended 31 March, 2009 and 31 March, 2008
(In U.S. dollars)

	3 Months ended 31 March 2009 \$'000	3 Months ended 31 March 2008 \$'000
Administrative expenses	(482)	(921)
Operating loss before financing costs	(482)	(921)
Finance income	1	18
Net financing income	1	18
Loss before tax	(481)	(903)
Loss for the period	(481)	(903)
Basic and diluted loss per share (\$)	(0.00)	(0.01)
 Consolidated Statement of recognised income and expense		
Foreign exchange translation differences recognised directly in equity - in respect of translation of foreign operations and in respect of presentation of financial statements in United States dollars	(173)	(8)
Available for sale investments - net valuation losses taken directly to equity	(161)	-
Loss for the period	(481)	(903)
Total recognised income and expense for the period	(815)	(911)

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

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These consolidated financial statements have been approved by the Company's directors.*

Arian Silver Corporation
Consolidated Statement of Cash Flows (Unaudited)
For the three months ended 31 March, 2009 and 31 March, 2008
(In U.S. dollars)

	3 Months ended 31 March 2009 \$'000	3 Months ended 31 March 2008 \$'000
Cash flows from operating activities		
Operating loss before financing costs	(482)	(921)
Adjustments for:		
Depreciation	10	11
Loss on disposal	11	-
Exchange Difference	108	(50)
Equity-settled share-based payment transactions	16	60
	<u>(337)</u>	<u>(900)</u>
Change in trade and other receivables	(44)	(129)
Change in trade and other payables	6	29
Net cash used in operating activities	<u>(375)</u>	<u>(1,000)</u>
Cash flows from investing activities		
Interest received	1	18
Acquisition of intangibles	(443)	(1,187)
Acquisition of property, plant and equipment	(6)	(35)
Net cash used in investing activities	<u>(448)</u>	<u>(1,204)</u>
Cash flows from financing activities		
Proceeds from loan	309	-
Net cash from financing activities	<u>309</u>	<u>-</u>
Net increase in cash and cash equivalents		
Cash and cash equivalents at 1 January	753	3,134
Effect of exchange rate fluctuations on cash held	8	(79)
Cash and cash equivalents at 31 March	<u>247</u>	<u>851</u>

Arian Silver Corporation
Consolidated Statement of Changes in Equity (Unaudited)
For the three months ended 31 March, 2009 and 31 March, 2008
(In U.S. dollars)

	Share Capital	Share based payment reserve	Foreign exchange translation reserve	Available for sale reserve	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Period to 31 March, 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 31 March, 2008	29,852	2,128	(873)	-	(23,858)	7,249

Period to 31 March, 2009						
Opening Balance	33,303	2,184	(1,973)	-	(26,218)	7,296
Shares issued in exchange for shares	1,133	-	-	-	-	1,133
Fair value of share options	-	16	-	-	-	16
Lapsed share options	-	(817)	-	-	817	-
Net loss	-	-	-	-	(481)	(481)
Foreign exchange loss	-	-	(172)	-	-	(172)
Unrealised loss	-	-	-	(161)	-	(161)
Balance 31 March, 2009	34,436	1,383	(2,145)	(161)	(25,882)	7,631

Arian Silver Corporation
Notes to Consolidated Financial Statements (Unaudited)
For the three months ended 31 March, 2009 and 31 March, 2008
(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.

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 exploration of mineral resource assets.

The accounting policies and methods of computation used in the preparation of the interim unaudited consolidated financial statements are the same as those described in the Company’s audited consolidated financial statements and notes thereto for the year ended 31 December 2008. In the opinion of the management, the interim unaudited consolidated financial statements include all adjustments considered necessary for fair and consistent presentation of financial statements. These interim unaudited consolidated financial statements should be read in conjunction with the Company’s audited financial statements and notes for the year ended 31 December 2008.

Since the Company is at an early stage of development, it has in the past raised funds in several discrete tranches, which is a common practice 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 Company will require additional funding in the future in order to progress exploration programmes on its mineral projects, to meet property option payments, for development and for general working capital requirements. Sources of funds currently available to the Company are through the issue of equity capital, the sale of its interests in one or more of its projects, by way of project joint ventures or business combinations.

As described in note 8 “Post-Balance Sheet Events” the Company has completed a share exchange transaction with Grafton Resource Investments Ltd (“Grafton”) which has been designed to provide new funding for the Company. It is currently anticipated that such funding for the Company will arise from the placing of the total 128,591 Grafton shares (“Grafton Shares”) that have been issued to the Company following the listing of Grafton on the Dublin Stock Exchange, which should take place in the near future. The principals of Grafton and their associates have experience in providing funding for junior mining and exploration companies using this type of transaction and the Company is reliant on them being able to replicate this experience to provide new funding required by the Company. In addition, Grafton has provided an additional \$250,000 short term advance to the Company which is intended to be repaid out of the proceeds of the sale of the Grafton Shares.

The Company has accumulated IVA (sales tax) on past exploration expenditure in Mexico which amounted to \$556,000 at 31 March, 2009. IVA is generally repaid in instalments by the Mexican tax authorities. However, there is no certainty as to the timing of future repayments of this IVA receivable.

Based on current expectations, the directors of the Company believe it appropriate to prepare the Company’s financial statements on a going concern basis. However, if funding from the sale of the Grafton Shares does not meet current expectations in terms of amount raised and timing the Company may not be able to meet its ongoing working-capital and project expenditure requirements. If these circumstances arose then there would be significant doubt on the Company’s ability to continue as a going concern and the carrying value of the Group’s exploration projects would be impaired.

Arian Silver Corporation
Notes to Consolidated Financial Statements (Unaudited)
For the three months ended 31 March, 2009 and 31 March, 2008
(In U.S. dollars)

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 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 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.

Changes in intangible assets for the three months ended 31 March, 2009 and the year ended 31 December, 2008 are detailed in the following table:

	2009	2008
	\$'000	\$'000
Opening balance	6,038	4,407
Additions for the period	443	2,548
Foreign Exchange	(258)	(917)
Closing balance	6,223	6,038

The balances at 31 March, 2009 and at 31 December, 2008 relate entirely to deferred exploration and development costs.

3. Investments - Available for sale assets

Available for sale assets relate to the Company's holding of 26,322 Grafton shares as at 31 March, 2009.

Available for sale financial assets are classified as non-current assets. They are initially stated at cost and subsequently measured at fair value. Fair values are derived by reference to net asset value or, where available, market pricing of such assets and movements in fair values are taken directly to equity with the exception of impairment losses which are recognised directly in the income statement. When an investment is disposed of, any cumulative gains and losses previously recognised in equity are included in the income statement.

4. Share based payment transactions

The share option programme allows Group directors, officers, employees and consultants to acquire shares of the Company. The fair value of options granted is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period until the options vest unconditionally. The fair value of the options granted is measured using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except if the change is due to market based conditions not being satisfied.

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Notes to Consolidated Financial Statements (Unaudited)
For the three months ended 31 March, 2009 and 31 March, 2008
(In U.S. dollars)

5. Share capital

a) Authorised

The Company is authorized to issue an unlimited number of common shares of no par value. Changes in share capital for the three months ended 31 March, 2009 and the year ended 31 December, 2008 are detailed in the following table:

	2009		2008	
	Number of Shares '000	Amount \$'000	Number of Shares '000	Amount \$'000
Opening balance	149,052	33,303	119,460	29,852
Shares issued in exchange for shares	26,097	1,133	29,592	3,612
Issue costs of share issuance	-	-	-	(161)
Closing balance	175,149	34,436	149,052	33,303

During the three months ended 31 March, 2009 and the year ended 31 December, 2008 the Company made the following issues of common shares and share purchase warrants:

Three months ended 31 March, 2009

- 26,097,230 common shares at Cdn\$0.055 in exchange for 26,322 Grafton Resource Investments Ltd shares.

Year ended 31 December, 2008

- 12,092,000 common shares at Cdn\$0.25 to provide additional working capital of Cdn\$3,023,000;
- 17,500,000 common shares at Cdn\$0.10 to provide additional working capital of Cdn\$1,747,000;
- 6,046,000 share purchase warrants exercisable for a period of 18 months at Cdn\$0.35 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 three months ended 31 March, 2009 and the year ended 31 December, 2008, is set out below:

	2009	2008
	\$'000	\$'000
Opening balance	2,184	2,068
Incentive stock options vested	16	542
Incentive stock options lapsed	(817)	(426)
Closing balance	1,383	2,184

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c) Foreign exchange translation reserve

A summary of the changes in the Company's foreign exchange translation reserve for the three months ended 31 March, 2009 and the year ended 31 December, 2008, is set out below:

	2009	2008
	\$'000	\$'000
Opening balance	(1,973)	(865)
Movement in the period	(172)	(1,108)
Closing balance	(2,145)	(1,973)

d) Share purchase warrants

A summary of the changes in the Company's share purchase warrants for the three months ended 31 March, 2009 and the year ended 31 December, 2008 is set out below:

	2009		2008	
	Warrants outstanding	Weighted average exercise price	Warrants outstanding	Weighted average exercise price
	'000	\$	'000	\$
Opening balance	8,773	0.43	2,727	0.61
Issued	-	-	6,046	0.35
Closing balance	8,773	0.43	8,773	0.43

At 31 March, 2009 the warrants in issue are analysed below:

Shares	Exercise price	Expiry
2,727,250	Cdn\$0.65	1 August, 2009
6,046,000	Cdn\$0.35	29 November, 2009

Note 8 "Post-balance sheet events" sets out details of variations to the terms of warrants outstanding at 31 March, 2009.

e) Incentive stock options

The Company currently has an incentive stock option plan (the "Plan") 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 under incentive stock options may not exceed 10% of issued share capital. As at 31 March, 2009, a total of 10,564,920 options remained available for grant under the Plan.

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A summary of the Company's stock options as at 31 March, 2009 is set out below:

	No. of shares	Exercise price	Expiry
Directors	500,000	Cdn\$0.56/GB£0.245	22 February, 2010
	2,400,000	Cdn\$0.57/GB£0.27	13 June, 2010
	1,500,000	Cdn\$0.25/GB£0.12	4 June, 2013
Senior Management	500,000	Cdn\$0.57/GB£0.27	13 June, 2010
	1,000,000	Cdn\$0.25/GB£0.12	4 June, 2013
Other Employees	75,000	Cdn\$0.51/GB£0.225	27 February, 2010
	175,000	Cdn\$0.57/GB£0.27	13 June, 2010
	150,000	Cdn\$0.25/GB£0.12	4 June, 2013
Third parties	112,500	Cdn\$0.30	19 June, 2010
	112,500	Cdn\$0.40	19 June, 2010
	112,500	Cdn\$0.50	19 June, 2010
	112,500	Cdn\$0.60	19 June, 2010
	200,000	Cdn\$0.25/GB£0.12	4 June, 2013

The number and weighted average exercise prices of share options for the three months ended 31 March, 2009 and the year ended 31 December, 2008 are as follows:

	2009		2008	
	Outstanding	Weighted average exercise price	Outstanding	Weighted average exercise price
	000's	price \$	000's	price \$
Opening balance	12,040	0.36	10,535	0.41
Issued	-	-	3,380	0.22
Issued	-	-	113	0.28
Issued	-	-	112	0.38
Issued	-	-	113	0.47
Issued	-	-	112	0.57
Lapsed	(4,130)	0.28	(150)	0.22
Lapsed	(580)	0.50	(870)	0.28
Lapsed	(380)	0.22	(200)	0.37
Lapsed	-	-	(180)	0.42
Lapsed	-	-	(375)	0.50
Lapsed	-	-	(350)	0.50
Lapsed	-	-	(200)	0.63
Balance – end of period	6,950	0.41	12,040	0.36

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f) Stock-based compensation

The fair value of stock options granted for the three months ended 31 March, 2009 was \$16,000 (2008 - \$60,000) which was expensed in the income statement. The fair value of stock options used to calculate compensation expense is estimated using the Black-Scholes option pricing model with the following assumptions:

	2009	2008
Risk free interest rate	2.45%	4.75%
Expected dividend yield	0%	0%
Expected stock price volatility	75%	62%
Expected option life in years	2 to 5 years	2 to 5 years

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

6. 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 three months ended 31 March, 2009 and 2008 the Company entered into the following transactions involving related parties:

Transactions with key management personnel

(a) Companies in the Dragon Group charged the Company a total of \$42,838 (2008 – \$119,645) in respect of the provision of support services and accommodation as well as for reimbursable expenses incurred on behalf of the Company. Tony Williams, Chairman and a director of the Company, beneficially owns the Dragon Group. At 31 March, 2009 \$14,462 (2008 - \$81,339) was outstanding.

(b) Kopane Diamond Developments PLC (“KDD”) charged the Company a total of \$23,316 (2008 – \$8,439) in respect of the reimbursement of a director’s remuneration paid on behalf of the Company as well as the provision of office accommodation and reimbursable expenses. The Company charged KDD \$10,501 (2008 – \$nil) for the provision of accounting support services. James Cable and Tony Williams are Directors of the Company. James Cable is a Director of KDD and Tony Williams is a former Director of KDD. At 31 March, 2009 \$6,317 (2008 - \$nil) was outstanding to KDD. However, \$10,991 (2008 - \$nil) was outstanding from KDD.

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

Transactions with subsidiaries

The Company made loans to Arian Silver de Mexico S.A. de C.V. of \$312,825 (2008-\$1,404,576).

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7. 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.

8. Post balance sheet events

Transactions with Grafton Resource Investments Ltd ("Grafton")

On 17 April, 2009, the Company announced that it had issued a further 82,993,679 common shares to Grafton at Cdn\$0.055 per share (equating to approximately Cdn\$4,564,653) and Grafton had issued to the Company a further 102,269 participating shares (equating to approximately Cdn\$4,564,653 determined by reference to the net asset value per Grafton participating share of \$36.93 as at the close of business on 31 March, 2009).

As a result of this transaction Grafton's interest in the Company increased to 109,090,909 common shares (approximately 42.2%).

It is planned that the total 128,591 Grafton participating shares (the "Grafton Shares") held by the Company will be placed for cash with third parties by Grafton and its associates in order to raise working capital finance for the Company. It is anticipated that the placing of the Grafton Shares will take place in the near future following the listing of Grafton on the Dublin Stock Exchange. The principals of Grafton and their associates have experience in providing funding for junior mining and exploration companies using this type of transaction and the Company is reliant on them being able to replicate this experience to provide new funding required by the Company.

In May 2009, Grafton advanced a further \$250,000 to the Company for working capital purposes, bringing the total advanced to date to \$550,000. These advances are interest free and are intended to be repaid from the proceeds from the disposal of the Grafton Shares.

Variation to terms of outstanding share purchase warrants

At 31 March, 2008 the Company had outstanding:

- 1 2,727,250 common share purchase warrants exercisable at Cdn\$0.65 per share and expiring 1 August, 2009 (the "B Warrants"); and
- 2 6,046,000 common share purchase warrants exercisable at Cdn\$0.35 per share and expiring 29 November, 2009 (the "C Warrants").

On 21 April, 2009 the Company announced that warrant holders had approved proposals to vary the terms of the B and C warrants (the "Warrants Variation") as follows:

(a) re-pricing 1,363,625 of the B Warrants so that they are exercisable at Cdn\$0.07 per share and varying the exercise period of such warrants so that they expire on the date that is three months following receipt by the Company of approval of the Warrants Variation provided that where the closing price of the common shares of the Company listed on the TSX Venture Exchange ("TSXV") exceeds Cdn\$0.0875 for any period of ten (10) consecutive trading days (the "Premium Trading Days"), the expiry date of such warrants shall be accelerated such that these warrants will expire at 5:00 p.m. (London, United Kingdom time) on the 30th calendar day after the date which is seven (7) calendar day after the 10th Premium Trading Day;

(b) re-pricing 1,363,625 of the B Warrants so that they are exercisable at Cdn\$0.10 per share and varying the exercise period of such warrants so that they expire on 31 December, 2009 provided that where the closing price of the common shares of the Company listed on the TSXV exceeds Cdn\$0.125 for any period of ten

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(10) consecutive trading days (the "Premium Trading Days"), the expiry date of such warrants shall be accelerated such that these warrants will expire at 5:00 p.m. (London, United Kingdom time) on the 30th calendar day after the date which is seven (7) calendar day after the 10th Premium Trading Day.

(c) re-pricing 3,023,000 of the C Warrants so that they are exercisable at Cdn\$0.07 per share and varying the exercise period of such warrants so that they expire on the date that is three months following receipt by the Company of approval of the Warrants Variation provided that where the closing price of the common shares of the Company listed on the TSXV exceeds Cdn\$0.0875 for any period of ten (10) consecutive trading days (the "Premium Trading Days"), the expiry date of such warrants shall be accelerated such that these warrants will expire at 5:00 p.m. (London, United Kingdom time) on the 30th calendar day after the date which is seven (7) calendar day after the 10th Premium Trading Day; and

(d) re-pricing 3,023,000 of the C Warrants so that they are exercisable at Cdn\$0.10 per share and varying the exercise period of such warrants so that they expire on 31 December, 2009 provided that where the closing price of the common shares of the Company listed on the TSXV exceeds Cdn\$0.125 for any period of ten (10) consecutive trading days (the "Premium Trading Days"), the expiry date of such warrants shall be accelerated such that these warrants will expire at 5:00 p.m. (London, United Kingdom time) on the 30th calendar day after the date which is seven (7) calendar day after the 10th Premium Trading Day.