



ARIAN SILVER CORPORATION

**Interim Consolidated
Financial Statements
(Unaudited)**

**Three and Nine Months ended 30 September, 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 Balance Sheet (Unaudited)
At 30 September, 2009 and 31 December, 2008
(In U.S. dollars)

	2009 \$'000	2008 \$'000
Assets		
Property, plant and equipment	85	135
Intangible assets	7,264	6,038
Investments – available for sale assets	5,381	-
Total non-current assets	12,730	6,173
Trade and other receivables	559	625
Cash and cash equivalents	753	753
Total current assets	1,312	1,378
Total assets	14,042	7,551
Equity		
Share capital	38,618	33,303
Share-based payment reserve	1,579	2,184
Foreign exchange translation reserve	(1,748)	(1,973)
Available for sale reserve	66	-
Retained loss	(26,872)	(26,218)
Total equity	11,643	7,296
Trade and other payables	938	255
Loans	1,461	-
Total current liabilities	2,399	255
Total liabilities	2,399	255
Total equity and liabilities	14,042	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 and nine months ended 30 September, 2009 and 30 September, 2008
(In U.S. dollars)

	3 Months ended 30 September		9 Months ended 30 September	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Administrative expenses	(588)	(1,757)	(1,517)	(3,321)
Operating loss before financing costs	(588)	(1,757)	(1,517)	(3,321)
Finance income	-	-	-	20
Net financing income	-	-	-	20
Loss before tax	(588)	(1,757)	(1,517)	(3,301)
Loss for the period	(588)	(1,757)	(1,517)	(3,301)
Basic and diluted loss per share (\$)	(0.00)	(0.01)	(0.00)	(0.03)

Consolidated Statement of Comprehensive Income and Expense (Unaudited)
For the three and nine months ended 30 September, 2009 and 30 September, 2008
(In U.S. dollars)

	3 Months ended 30 September		9 Months ended 30 September	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Loss for the period	(588)	(1,757)	(1,517)	(3,301)
Other comprehensive 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	394	172	225	102
Available for sale investments				
- net valuation profit/(loss) taken directly to equity	(248)	-	66	-
Total comprehensive income/(expense) for the period	(442)	(1,585)	(1,226)	(3,199)

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

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Arian Silver Corporation
Consolidated Statement of Cash Flows (Unaudited)
For the three and nine months ended 30 September, 2009 and 30 September, 2008
(In U.S. dollars)

	3 Months ended 30 September		9 Months ended 30 September	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash flows from operating activities				
Operating loss before financing costs	(588)	(1,757)	(1,517)	(3,321)
Adjustments for:				
Depreciation	10	14	30	37
(Profit)/loss on disposal	(1)	-	24	-
Exchange difference	(621)	121	(550)	(117)
Equity-settled share-based payment transactions	306	351	333	515
	(894)	(1,271)	(1,680)	(2,886)
Change in trade and other receivables	2	164	128	(241)
Change in trade and other payables	629	454	654	300
Net cash used in operating activities	(263)	(653)	(898)	(2,827)
Cash flows from investing activities				
Interest received	-	-	-	20
Acquisition of intangibles	(16)	(107)	(612)	(3,070)
Disposal/(acquisition) of property, plant and equipment	3	(15)	(2)	(66)
Net cash used in investing activities	(13)	(122)	(614)	(3,116)
Cash flows from financing activities				
Proceeds from issue of share capital	-	-	-	2,777
Proceeds from loan	830	-	1,461	-
Net cash from financing activities	830	-	1,461	2,777
Net increase in cash and cash equivalents				
Cash and cash equivalents opening balance	202	900	753	3,134
Effect of exchange rate fluctuations on cash held	(3)	61	51	218
Cash and cash equivalents at 30 September	753	186	753	186

Arian Silver Corporation
Consolidated Statement of Changes in Equity (Unaudited)
For the three and nine months ended 30 September, 2009 and 30 September, 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 30 June, 2008						
Opening Balance	29,852	2,068	(865)	-	(22,955)	8,100
Shares issued for cash	2,938	-	-	-	-	2,938
Fair value of share options	-	164	-	-	-	164
Share Issuance Costs	(161)	-	-	-	-	(161)
Net loss	-	-	-	-	(1,544)	(1,544)
Foreign exchange gain/(loss)	-	-	70	-	-	70
Balance 30 June, 2008	32,629	2,232	(795)	-	(24,499)	9,567

Period to 30 June, 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 gain/(loss)	-	-	(172)	-	-	(172)
Unrealised gain/(loss)	-	-	-	(161)	-	(161)
Balance 31 March, 2009	34,436	1,383	(2,145)	(161)	(25,882)	7,631
Shares issued in exchange for shares	4,182	-	-	-	-	4,182
Fair value of share options	-	10	-	-	-	10
Net loss	-	-	-	-	(440)	(440)
Foreign exchange gain/(loss)	184	-	3	-	-	187
Unrealised gain/(loss)	-	-	-	475	-	475
Balance 30 June, 2009	38,802	1,393	(2,142)	314	(26,322)	12,045
Fair value of share options	-	307	-	-	-	307
Lapsed share options	-	(121)	-	-	121	-
Net loss	-	-	-	-	(671)	(671)
Foreign exchange gain/(loss)	(184)	-	394	-	-	210
Unrealised gain/(loss)	-	-	-	(248)	-	(248)
Balance 30 September, 2009	38,618	1,579	(1,748)	66	(26,872)	11,643

Arian Silver Corporation
Notes to Consolidated Financial Statements (Unaudited)
For the three and nine months ended 30 September, 2009 and 30 September, 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.

During 2009, the Company completed share exchange transactions (the "Share Exchange") with Grafton Resource Investments Ltd ("Grafton") that were intended to provide new funding for the Company. As a result of the Share Exchange, Grafton became a 42.2% shareholder of the Company having acquired 109,090,909 new common shares in the Company in exchange for the issue to the Company of 128,591 Grafton participating shares (the "Grafton Shares"). It was intended that Grafton and its associates would place the Grafton Shares for cash on behalf of the Company to provide new funding for the Company. However, the disposal of the Grafton Shares is experiencing delays and the anticipated funding has not, so far, been forthcoming. In view of the delay, Grafton has been providing loans to the Company, to fund its operating overheads, which currently total \$1,050,000 (See notes 6 and 8 – Transactions with Grafton).

Grafton has advised the Company that it is currently not in a position to advance further loan funding. Given this position and the level of the Company's current cash balances it will require additional funding of approximately \$1.25 million within the coming months to meet its working capital requirements. In addition, the final property option payment of \$500,000 (plus IVA) is due in December 2009 in respect of the San Jose property which will need to be paid in order to secure the remaining 33% ownership of that property unless this payment can be deferred. The aggregate funding requirement is, therefore, currently estimated to be \$1.75 million, excluding any material capital or other expenditure required to bring the San Jose property into production.

The Company and Grafton are actively pursuing potential funding solutions for the Company and for the disposal of the Grafton Shares. Given the goodwill that exists between the companies, Management of the Company currently believes that a solution to raise new funding is achievable. The only sources of funds currently available to the Company are through the disposal of the Grafton Shares, 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.

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 it appropriate to prepare the Company's financial statements on a going concern basis. However, if the required funding is not forthcoming on a timely basis 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 and other assets would be impaired.

Arian Silver Corporation
Notes to Consolidated Financial Statements (Unaudited)
For the three and nine months ended 30 September, 2009 and 30 September, 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 capitalized 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.

Changes in intangible assets for the nine months ended 30 September, 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	612	2,548
Accruals	518	-
Foreign Exchange	96	(917)
Closing balance	7,264	6,038

The balances at 30 September, 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 128,591 Grafton shares valued at \$5.4 million as at 30 September, 2009 (2008 - \$nil).

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 comprehensive statement of income.

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

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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.

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 nine months ended 30 September, 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	109,091	5,315	29,592	3,612
Issue costs of share issuance	-	-	-	(161)
Closing balance	258,143	38,618	149,052	33,303

During the nine months ended 30 September, 2009 and the year ended 31 December, 2008 the Company made the following issues of common shares and share purchase warrants:

Nine months ended 30 September, 2009

- 26,097,230 common shares at Cdn\$0.055 in exchange for 26,322 Grafton Resource Investments Ltd shares.
- 82,993,679 common shares at Cdn\$0.055 in exchange for 102,269 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 nine months ended 30 September, 2009 and the year ended 31 December, 2008, is set out below:

	2009 \$'000	2008 \$'000
Opening balance	2,184	2,068
Incentive stock options vested	333	542
Incentive stock options lapsed	(938)	(426)
Closing balance	1,579	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 nine months ended 30 September, 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	225	(1,108)
Closing balance	(1,748)	(1,973)

d) Share purchase warrants

A summary of the changes in the Company's share purchase warrants for the nine months ended 30 September, 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
Warrants issued	-	-	6,046	0.35
Warrants repriced	-	(0.36)	-	-
Warrants expired	(4,386)	(0.06)	-	-
Closing balance	4,387	0.09	8,773	0.43

At 30 September, 2009 the warrants in issue are analysed below:

	Shares	Exercise price	Expiry
E warrants	4,386,625	Cdn\$0.10	31 December, 2009

On 21 April, 2009, the Company announced that warrant holders had approved proposals to vary the terms of the 8,773,250 outstanding share purchase warrants. The E warrants set out above represent the result of the variation, as the 4,386,625 D warrants that also resulted from the variation expired on 23 July, 2009.

In relation to the E warrants, where the closing price of the common shares of the Company listed on the TSX Venture Exchange 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.

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

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number of shares which may be issued under the Plan, as approved by shareholders on 23 June 2009, was fixed at 10% of the Company's issued common shares. In July 2009, the directors resolved to reduce the limit on the Plan from 10% to 7.5% of the issued common shares and to grant 9,850,000 new stock options. Following adjustments to reflect the new limit and grant of options, a total of 3,060,715 options remain available for grant under the Plan. A summary of the Company's stock options as at 30 September, 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
	6,700,000	Cdn\$0.10/GB£0.055	16 July, 2014
Senior Management	500,000	Cdn\$0.57/GB£0.27	13 June, 2010
	500,000	Cdn\$0.25/GB£0.12	4 June, 2013
	1,800,000	Cdn\$0.10/GB£0.055	16 July, 2014
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
	400,000	Cdn\$0.10/GB£0.055	16 July, 2014
Consultants	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
	950,000	Cdn\$0.10/GB£0.055	16 July, 2014

The number and weighted average exercise prices of share options for the nine months ended 30 September, 2009 and the year ended 31 December, 2008 are as follows:

	2009		2008	
	Outstanding 000's	Weighted average exercise price \$	Outstanding 000's	Weighted average exercise price \$
Opening balance	12,040	0.36	10,535	0.41
Issued	9,850	0.09	3,380	0.22
Issued	-	-	113	0.28
Issued	-	-	112	0.38
Issued	-	-	113	0.47
Issued	-	-	112	0.57
Lapsed	(4,130)	0.24	(150)	0.22
Lapsed	(580)	0.43	(870)	0.28
Lapsed	(880)	0.19	(200)	0.37
Lapsed	-	-	(180)	0.42
Lapsed	-	-	(725)	0.50
Lapsed	-	-	(200)	0.63
Balance – end of period	16,300	0.23	12,040	0.36

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f) Stock-based compensation

The fair value of stock options granted for the nine months ended 30 September, 2009 was \$333,000 (2008 - \$515,000) which was expensed in the comprehensive statement of income. 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	2.68%	4.75%
Expected dividend yield	0%	0%
Expected stock price volatility	74%	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 related parties. All transactions have been recorded at the exchange amount which is the consideration established and agreed to between the related parties. During the nine months ended 30 September, 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 \$126,492 (2008 – \$481,632). This includes reimbursement of \$89,905 (2008 – \$105,873) in respect of Tony Williams’ remuneration paid on behalf of the Company with the balance relating to the provision of support services, office accommodation and other reimbursable expenses incurred on behalf of the Company. Tony Williams, Chairman and a director of the Company, beneficially owns the Dragon Group. At 30 September, 2009 \$34,413 (2008 - \$104,959) was outstanding.

(b) Kopane Diamond Developments PLC (“KDD”) charged the Company a total of \$67,764 (2008 – \$23,064). This includes reimbursement of \$26,114 (2008 – \$30,752) in respect of James Cable’s remuneration paid on behalf of the Company with the balance relating to the provision of office accommodation and reimbursable expenses incurred on behalf of the Company. The Company charged KDD \$26,109 (2008 – \$18,091) 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 30 September, 2009 \$50,865(2008 - \$15,376) was outstanding and due to KDD and \$26,935 (2008 - \$nil) was outstanding and due 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 \$387,784 (2008-\$3,421,269).

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Transactions with Grafton

Grafton is a 42.2% shareholder of the Company having acquired, during the period to 30 September, 2009, 109,090,909 new common shares in the Company in exchange for the issue to the Company of the Grafton Shares in a transaction intended to provide new funding for the Company.

During the period to 30 September, 2009 Grafton made four advances to the Company totalling \$900,000 (2008 - \$nil) to fund the Company's operating overheads pending disposal of the Grafton Shares. These advances are unsecured and interest free. Whilst it is intended that the advances will be repaid from the proceeds from disposal of the Grafton Shares, \$500,000 has a current repayment date of 31 December 2009, the original repayment date having been deferred from 31 October, 2009, and \$100,000 has a current repayment date of 31 March, 2010. Repayment of the balance of \$300,000 is related to the sale of the Grafton Shares.

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

Transaction with Grafton

In October 2009, Grafton advanced a further \$150,000 to the Company, bringing the total advanced to date to \$1,050,000. This additional advance is unsecured and interest free. Whilst it is intended that this advance will also be repaid from the proceeds from disposal of the Grafton Shares, it has a current repayment date of 31 March 2010.