ARIAN SILVER CORPORATION

Interim Consolidated
Financial Statements
(Unaudited)

Three and Nine Months ended 30 September, 2010

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

The accompanying unaudited 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 the standards established by the Canadian Institute of Chartered Accountants for a review of financial statements by an entity's auditor.

Arian Silver Corporation
Consolidated Statement of Financial Position (Unaudited)
At 30 September, 2010 and 31 December, 2009
(In U.S. dollars)

	2010 $'000	2009 $'000
Assets		
Property, plant and equipment	71	86
Intangible assets	6,007	7,703
Total non-current assets	6,078	7,789
Trade and other receivables	700	349
Cash and cash equivalents	2,419	101
Investments – available for sale assets	-	5,637
Other financial assets at fair value through profit and loss	318	-
	3,437	6,087
Non-current assets held for sale	2,847	-
Total current assets	6,284	6,087
Total assets	12,362	13,876
Equity		
Share capital	37,924	38,238
Share-based payment reserve	813	1,648
Foreign exchange translation reserve	(1,374)	(1,444)
Available for sale reserve	-	504
Retained loss	(27,264)	(27,203)
Total equity	10,099	11,743
Current borrowings	-	1,612
Trade and other payables	780	521
Deferred income	1,483	-
Total current liabilities	2,263	2,133
Total liabilities	2,263	2,133
Total equity and liabilities	12,362	13,876

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, 2010 and 2009
(In U.S. dollars)

	3 Months ended 30 September		9 Months ended 30 September	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Administrative expenses	(411)	(588)	(1,150)	(1,517)
Operating loss	(411)	(588)	(1,150)	(1,517)
Investment Income	144	-	235	-
Finance income	-	-	4	-
Net financing income	144	-	239	-
Loss before tax	(267)	(588)	(911)	(1,517)
Loss for the period	(267)	(588)	(911)	(1,517)
Basic and diluted loss per share ($)	(0.00)	(0.00)	(0.00)	(0.00)

Consolidated Statement of Comprehensive Income (Unaudited)
For the three and nine months ended 30 September, 2010 and 2009
(In U.S. dollars)

	3 Months ended 30 September		9 Months ended 30 September	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Loss for the period attributable to equity shareholders of the parent	(267)	(588)	(911)	(1,517)
Other comprehensive income and expense				
Foreign exchange translation differences recognised directly in equity	265	394	70	225
Available for sale reserve	-	(248)	-	66
Total comprehensive income and expense for the period attributable to equity shareholders of the parent	(2)	(442)	(841)	(1,226)

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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 and nine months ended 30 September, 2010 and 2009
(In U.S. dollars)

	3 Months ended 30 September		9 Months ended 30 September	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Cash flows from operating activities				
Operating loss before financing costs	(411)	(588)	(1,150)	(1,517)
Adjustments for:				
Depreciation	10	10	21	30
Impairment of fixtures and fittings	-	(1)	-	24
Exchange difference	(117)	(621)	(65)	(550)
Equity-settled share-based payment transactions	1	306	15	333
	(517)	(894)	(1,179)	(1,680)
Increase/(decrease) in trade and other receivables	(82)	2	(235)	128
Increase/(decrease) in trade and other payables	295	629	272	654
Net cash used in operating activities	(304)	(263)	(1,142)	(898)
Cash flows from investing activities				
Interest received	-	-	4	-
First instalment from Tepal project option	-	-	750	-
Acquisition of intangibles	(86)	(16)	(810)	(612)
Acquisition of property, plant and equipment	-	3	(1)	(2)
Net cash from/(used in) investing activities	(86)	(13)	(57)	(614)
Cash flows from financing activities				
Proceeds from issue of share capital	610	-	3,866	-
Proceeds from sale of Geologix shares	653	-	653	-
(Repayment of)/proceeds from borrowings	-	830	(854)	1,461
Net cash from financing activities	1,263	830	3,665	1,461
Net increase/(decrease) in cash and cash equivalents	873	554	2,466	(51)
Cash and cash equivalents – opening balance	1,513	202	101	753
Effect of exchange rate fluctuations on cash held	33	(3)	(148)	51
Cash and cash equivalents at 30 September	2,419	753	2,419	753

Arian Silver Corporation
Consolidated Statement of Changes in Equity (Unaudited)
For the nine months ended 30 September, 2010 and 2009
(In U.S. dollars)

	Share Capital $'000	Share based payment reserve $'000	Foreign exchange translation reserve $'000	Available for sale reserve $'000	Retained Earnings $'000	Total $'000
Period to 30 September, 2009						
Opening Balance	33,303	2,184	(1,973)	-	(26,218)	7,296
Loss for the period	-	-	-	-	(1,592)	(1,592)
Foreign exchange	-	-	225	-	-	225
Unrealised loss	-	-	-	66	-	66
Total comprehensive income and expense for the period	-	-	225	66	(1,592)	(1,301)
Shares issued re: Grafton	5,315	-	-	-	-	5,315
Fair value of share options	-	333	-	-	-	333
Lapsed share options	-	(938)	-	-	938	-
Balance 30 September, 2009	38,618	1,579	(1,748)	66	(26,872)	11,643
Period to 30 September, 2010						
Opening Balance	38,238	1,648	(1,444)	504	(27,203)	11,743
Loss for the period	-	-	-	-	(911)	(911)
Foreign exchange	-	-	70	-	-	70
Reversal of unrealised gain	-	-	-	(504)	-	(504)
Total comprehensive income and expense for the period	-	-	70	(504)	(911)	(1,345)
Shares redeemed and cancelled re: Grafton	(4,935)	-	-	-	-	(4,935)
Shares issued for debt	755	-	-	-	-	755
Shares issued for cash	3,358	-	-	-	-	3,358
Share issue costs	(186)	-	-	-	-	(186)
Exercise of warrants	630	-	-	-	-	630
Exercise of share options	64	-	-	-	-	64
Fair value of share options	-	15	-	-	-	15
Lapsed share options	-	(850)	-	-	850	-
Balance 30 September, 2010	37,924	813	(1,374)	-	(27,264)	10,099

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 2009. 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 2009.

These consolidated financial statements are presented in United States dollars as the Company believes it to be the most appropriate and meaningful currency for investors. The functional currencies of the Company and its subsidiary are Pounds Sterling and Mexican Peso respectively.

The Group is at an early stage of development and has not generated any revenues from its operations. However, it is anticipated that the contract mining and milling operation at the Company's San José property in Zacatecas, Mexico that has recently moved into production, will provide a source of cash flow in the future.

During the nine months to 30 September 2010 the Group received new working capital from (i) a private placement of common shares by the Company which raised approximately Cdn$3.5 million (see Note 5), (ii) the first instalment of $1.45 million under an option granted to Geologix Explorations Inc ("Geologix") in relation to the Tepal Project (see Notes 3, 4 and 9), (iii) the exercise of share purchase options and warrants which generated £35,750 and Cdn$652,812 respectively and (iv) the disposal of Geologix Shares which raised Cdn$674,035 net of commission. Since the period end the Company has raised further funding through a private placement of common shares, further disposals of Geologix Shares and the exercise of share purchase warrants and options (see Note 11).

The directors currently believe that the Group has adequate financial resources or access to such resources in order to continue in operational existence for the foreseeable future and to meet its currently projected working capital and project expenditure requirements for the next 12 months. They therefore believe it appropriate to prepare the Group's financial statements on a going concern basis.

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 the 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, 2010 and the year ended 31 December, 2009 are detailed in the following table:

	2010 **$'000**	2009 $'000
Opening balance	**7,703**	6,038
Additions for the period	**810**	1,326
Reclassification as Non-current assets held for sale	**(2,847)**	-
Foreign Exchange	**341**	339
Closing balance	**6,007**	7,703

The balances at 30 September, 2010 and at 31 December, 2009 relate entirely to deferred exploration and development costs.

3. Other financial assets at fair value through profit and loss

Other financial assets at fair value through profit and loss are classified as current assets and relate to the Geologix Shares (see Note 9).

They are initially stated at cost and subsequently measured at fair value. Fair values are derived by reference to the market pricing of such assets and movements in fair values are accounted for as Investment income or expense and taken to the Consolidated Income Statement. When these assets are disposed of, any gains and losses are included in the Consolidated Income Statement.

4. Non-current assets held for sale

Non-current assets held for sale are classified as current assets. They have arisen on reclassification of the carrying value of the Tepal Project from intangible assets following the grant of a purchase option to Geologix (see Note 9).

A non-refundable first instalment of $1.45 million paid in respect of the option has been accounted for as deferred income in the Consolidated Statement of Financial Position pending exercise or termination of the option. Part of this instalment was settled by the Geologix Shares which are classified as other financial assets at fair value through profit and loss (see Note 3). On exercise of the option, any gains and losses on disposal of these assets are taken to the Consolidated Income Statement.

5. Share capital and reserves

Authorised

The Company is authorised to issue an unlimited number of common shares of no par value.

Issued and outstanding common shares

Changes in share capital for the nine months ended 30 September, 2010 and the year ended 31 December, 2009 are as follows:

	2010		2009	
	Number of Shares '000	Amount $'000	Number of Shares '000	Amount $'000
Opening balance	**258,143**	**38,238**	149,052	33,303
Shares (redeemed and cancelled)/issued re: Grafton	**(109,091)**	**(4,935)**	109,091	4,935
Shares issued for debt	**15,762**	**755**	-	-
Shares issued for cash	**70,597**	**3,358**	-	-
Costs of share issuance	**-**	**(186)**	-	-
Exercise of warrants	**6,528**	**630**	-	-
Exercise of options	**650**	**64**	-	-
Closing balance	**242,589**	**37,924**	258,143	38,238

Nine months ended 30 September 2010

- Redemption and cancellation of 109,090,909 common shares (see Note 8).
- Issue of 15,762,000 common shares in respect of the loan settlement (see Note 8).
- Issue of 70,597,139 common shares in respect of a private placement (the "Private Placement"). The Private Placement raised Cdn$3,499,857 and comprised 69,997,139 units of the Company (each, a "Unit") at Cdn$0.05 per Unit. In addition 600,000 Units were issued in satisfaction of Cdn$30,000 of finder's fees payable in connection with the Private Placement. Each Unit consisted of one common share of the Company and one-half of a common share purchase warrant.
- Issue of 6,528,116 common shares in connection with warrants exercised at Cdn$0.10 per share
- Issue of 550,000 common shares in connection with share options exercised at £0.055 per share
- Issue of 100,000 common shares in connection with share options exercised at £0.12 per share

Year ended 31 December, 2009

- Issue of 109,090,909 common shares at Cdn$0.055 per common share in exchange for 128,591 Grafton participating shares.

Share based payment reserve

The share based payment reserve arises on the grant of share options to directors, employees and other eligible persons under the share option plan.

A summary of the changes in the Company's contributed surplus for the nine months ended 30 September, 2010 and the year ended 31 December, 2009, is set out below:

	2010	2009
	$'000	$'000
Opening balance	**1,648**	2,184
Incentive share options vested	**15**	351
Incentive share options lapsed	**(850)**	(887)
Closing balance	**813**	1,648

Foreign exchange translation reserve

The translation reserve comprises both foreign exchange differences arising on the translation of amounts relating to overseas operations and the presentation of the financial statements in United States dollars.

A summary of the changes in the Company's foreign exchange translation reserve for the nine months ended 30 September, 2010 and the year ended 31 December, 2009, is set out below:

	2010	2009
	$'000	$'000
Opening balance	**(1,444)**	(1,973)
Movement in the period	**70**	529
Closing balance	**(1,374)**	(1,444)

Available for sale reserve

The available for sale reserve comprises the available for sale assets net valuation profit or loss taken directly to equity.

The reserve adjustment of $504,000 for the year ended 31 December, 2009 relates to an unrealised gain of $700,000 and related deferred income tax of $196,000 which were reversed on redemption of the shareholding in Grafton Resource Investments Ltd (see Note 8).

Retained loss

Retained loss comprises accumulated losses in the current and prior years.

Share purchase warrants

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

A summary of the changes in the Company's share purchase warrants for the nine months ended 30 September, 2010 and the year ended 31 December, 2009 is set out below:

	2010		2009	
	Warrants outstanding	**Weighted average exercise price**	Warrants outstanding	Weighted average exercise price
	'000	**$**	'000	$
Opening balance	**-**	**-**	8,773	0.43
Issued	**35,299**	**0.10**	-	-
Repriced	**-**	**-**	-	(0.36)
Lapsed	**-**	**-**	(4,386)	(0.06)
Lapsed	**-**	**-**	(4,387)	(0.09)
Exercised	**(6,528)**	**(0.10)**	-	-
Closing balance	**28,771**	**0.10**	-	-

During the nine months ended 30 September 2010 the Company issued 35,298,569 "F" warrants in connection with the Private Placement, which entitle the holders thereof to acquire one common share of the Company at an exercise price of Cdn$0.10 per common share up to 22 January 2011. 6,528,116 warrants have since been exercised.

Incentive share options

The Company currently has in place an incentive share 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 directors on the basis of the closing market price of the Company's shares on the trading day prior to the date of issue of the option. Options may be granted for a period of up to ten years and the directors determine the vesting provisions of each option granted, which may vary. The aggregate number of shares which may be issued and sold under the Plan may not exceed 10% of issued share capital. As at 30 September, 2010 a total of 12,708,922 options remained available for grant under the Plan.

A summary of the Company's share options as at 30 September, 2010 is set out below:

Outstanding shares	Exercise price	Expiry
2,250,000	£0.12/Cdn$0.25	4 June, 2013
9,300,000	£0.055/Cdn$0.10	16 July, 2014

The number and weighted average exercise prices of share options for the nine months ended 30 September, 2010 and the year ended 31 December, 2009 are as follows:

	2010		2009	
	Outstanding 000's	**Weighted average exercise price $**	Outstanding 000's	Weighted average exercise price $
Opening balance	**16,300**	**0.23**	12,040	0.36
Issued	**-**	**-**	9,850	0.09
Lapsed	**(75)**	**(0.36)**	(4,130)	(0.24)
Lapsed	**(500)**	**(0.39)**	(580)	(0.43)
Lapsed	**-**	**-**	(880)	(0.19)
Lapsed	**(3,075)**	**(0.43)**	-	-
Lapsed	**(113)**	**(0.29)**	-	-
Lapsed	**(112)**	**(0.39)**	-	-
Lapsed	**(113)**	**(0.49)**	-	-
Lapsed	**(112)**	**(0.58)**	-	-
Exercised	**(550)**	**(0.09)**	-	-
Exercised	**(100)**	**(0.19)**		
Balance – end of period	**11,550**	**0.17**	16,300	0.23

6. Share-based compensation

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.

(In U.S. dollars)

The fair value of share options granted for the nine months ended 30 September, 2010 was $15,000 (2009 - $333,000) which was expensed in the Consolidated Income Statement. The fair value of share options used to calculate compensation expense is estimated using the Black-Scholes option pricing model with the following assumptions:

	2010	2009
Risk free interest rate	1.81%	2.45%
Expected dividend yield	0%	0%
Expected share price volatility	88%	75%
Expected option life in years	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 share price volatility. 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 nine months ended 30 September, 2010 and 2009 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 $102,679 (2009 – $126,492). This includes reimbursement of $89,378 (2009 – $89,905) 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. At 30 September, 2010 $20,465 (2009 - $34,413) was outstanding. Tony Williams, Chairman and a director of the Company, beneficially owns the Dragon Group.

(b) Kopane Diamond Developments PLC ("KDD") charged the Company a total of $47,980 (2009 – $67,764). This includes reimbursement of $19,471 (2009 – $26,114) 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 $21,679 (2009 – $26,109) for the provision of accounting support services. At 30 September, 2010 $21,318 (2009 - $50,865) was outstanding due to KDD and $8,473 (2009 - $26,935) was outstanding due from KDD. 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.

Key management personnel 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 $131,736 (2009 - $387,784).

8. Reorganisation of Grafton relationship

In January 2010 the share exchanges that took place in 2009 with Grafton Resource Investments Ltd ("Grafton") were reversed by way of share redemptions. Pursuant to the share redemptions, the Company redeemed and cancelled 109,090,909 common shares issued to Grafton at the original issue price of Cdn$0.055 per common share and the Company's holding of 128,591 Grafton participating shares were redeemed at the approximate original average issue price of $38 per participating share. In addition, the Company issued to Grafton 15,762,000 common shares at Cdn$0.05 per common share in settlement of $750,000 of outstanding loans and repaid the balance of $300,000 to Grafton in cash.

9. Tepal Project Option Agreement

In January 2010 the Company and Geologix executed a definitive agreement granting Geologix the exclusive option to purchase a 100% interest in the Tepal Gold-Copper Project, Mexico (the "Option Agreement").

Under the terms of the Option Agreement, Geologix paid to the Company a first instalment of $1.45 million. Settlement was effected by way of a cash payment of $725,000 and the balance of $725,000 through the issue of 3,434,193 Geologix shares (the "Geologix Shares") at a price of Cdn$0.22 per share. Geologix can complete the purchase of the Tepal property by delivering to the Company a further payment of $1.55 million before 23 February, 2011. At Geologix's election, up to 50% of this payment may be satisfied by the issuance of Geologix shares, subject to Toronto Stock Exchange approval. The Option Agreement provides that Geologix shall be responsible for satisfying all of the Company's obligations relating to the Tepal property, including the underlying property option agreement payments.

Following receipt of the first instalment under the Option Agreement, the Company repaid to Geologix a loan of $517,500.

10. Segment reporting

The Group's reportable segments, which are those reported to the Board of Directors, are the operating business managed by the geographically based management teams responsible for their performance.

As at 30 September 2010, the Group had one operational segment being the exploration for and development of silver and associated metal deposits in Mexico. All capital assets of the Group are held in Mexico.

11. Post 30 September 2010 events

Brokered and non-brokered private placement

In October 2010 the Company completed a brokered and non-brokered private placement (the "Placement"). The Placement raised gross proceeds of £3,888,800 and comprised the issue of 21,604,435 common shares of the Company at 18p per common share.

Subscriptions in respect of the brokered portion of the Placement amounted to £3,115,000 for 17,305,547 common shares. These common shares are subject to a restriction to the effect that they cannot be sold, transferred, hypothecated or otherwise traded on or through the facilities of the TSX Venture Exchange or otherwise in Canada or to or for the benefit of a Canadian resident prior to 26 February 2011. A subscription in respect of the non-brokered portion of the Placement amounted to £773,800 for 4,298,888 common shares. These common shares are subject to a hold period expiring on 26 February 2011.

Disposal of Geologix Shares

During October 2010 the Company completed the disposal of its holding of Geologix Shares and realized further proceeds totalling Cdn$487,221.

Exercise of Share Purchase Warrants and Options

Since the period end further funding has been received in connection with the exercise of 325,000 share purchase options and 8,729,083 "F" share purchase warrants which generated £17,875 and Cdn$872,908 respectively.