

Arian Silver Property Tour

Arian Silver management has been telling me they can compile an NI43-101 compliant resource of 150 million ounce silver equivalent at their 100% optioned San Jose mine near Zacatecas, Mexico – by early summer. If so, that would warrant a dramatic re-valuation of the company's current \$50 million market capitalization.

So I headed down for a visit from January 22 – 24th to get a sense of this asset**. With me was Arian CEO Jim Williams; Caroline Birch, their new VP Corporate Development; Matt Booth, Senior Geologist, Bill Ridley, publisher of Winston's Growth Stock Report and Keith Schaefer, VP at Vanguard Shareholder Solutions, the Canadian investor relations representative for Arian Silver.

We flew into Mexico City late the 22nd, and then on to Zacatecas very early the 23rd. It's in a high largely arid plateau with quilt patch farmland much like the Canadian prairies. Zacatecas city is the capital of Zacatecas state, best known for its rich deposits of silver and as one of the safest states in the country.

Zacatecas produced 1/5 of the world's silver until the 19th century. From 1550 - 1750 it was one of the Spanish crown's two largest sources of income during colonialism. Well over 1 billion ounces has historically been mined in the area.

Owain Morton, a mining engineer from England working for Arian, picked us up at the airport and we drove 20 minutes into Zacatecas. On our way in, he pointed out the largest zinc mine in Mexico, Francisco Madero, operated by Mexico's largest resource company called Peñoles.

Peñoles also operates one of the single largest silver mines in the world nearby. The Fresnillo mine with production of about 31 million ounces yearly. So the Fresnillo mine produces about 2/3s of all the silver produced by the largest silver producer in Mexico. The silver at Fresnillo was discovered in 1566 in a surface outcrop and has been mined ever since.

In the over 400 years of production, little exploration had been done. In 1976 they tried drilling to see if there were any silver veins in the neighborhood they had overlooked. And indeed they had. They drilled deep and found half a dozen more veins. In the first 410 years they produced 500 million ounces and since 1976 have produced another 500 million ounces. That speaks to the history and potential of the area.

On the way into the city, Owain pointed out a couple mine shafts, and said this hill was staked by one company, that hill by another, and this hillside was Arian's own Calicanto property, and Capstone's 2200 ton per day zinc lead copper mine was right on the other side of this hill... mining is literally everywhere.

They drove us to Arian's office, a spacious rented house in a gated community. After a quick coffee and snack, Jim and Matt got out their maps of the San Jose project, their main silver asset we were to see that afternoon.

The map that contains satellite imagery of the property was very interesting because it actually showed the San Jose Vein (SJV) traversing the countryside. On that map it appears as a dark

thin line, representing a huge geologic structure. That's why Arian recently purchased the mineral rights to a further 8 km of strike length – for a total of 12 km. Jim and Matt are hoping to achieve their 150 M oz AgEq on the first 4 km.

Arian's press releases have been confusing to me with so many different names on their zones, and I had a hard time tracking where they were on the property and if they were at surface or underground targets – San Jose has both. Having Matt explain it all in person on the map made it much clearer:

Along the main SJV there are four known underground zones which are, east to west, the Gallega Zone to the east of the old head frame, the Santa Ana zone and the Solidaridad zone to the west, and then 10 km away to the west is the Guanajatillo Zone.

The surface zones, which are geologically unrelated to the main San Jose Vein, are The Stockwork Zone just north of the old head frame, and Block 450, to the east.

After getting reacquainted with the asset on paper, we drove 45 minutes out of town along a major highway to see the real thing. The San Jose property sits alongside the highway, so the two drill rigs and work crews doing some trenching just drive off onto the property – there are no fences.

The mine operated from 1973-1991 and 1993 – 2001. San Jose has great infrastructure – there are several old tunnels and workings that are wide enough to drive a truck through. They have been cleaned up and Arian personnel are sampling along them consistently. Even though previous operators have mined out much of the high grade core of the vein that is the tunnel, the walls all around the vein often have high enough grade to be mined economically – CEO Jim Williams says they are consistently sampling rock with dollar values ranging from \$50 to \$150 per tonne, and he estimates probable, all-in operating costs of no more than \$40/ton.

Arian accidentally drilled into one of the old tunnels, but the drill intercept proved that there is a halo of mineralization around the tunnel that could potentially be mined. The underground work is meant to see if there is ore left in the old workings – Matt says the previous operators generally left about 90% of the vein in place and only mined the very highest grade ore. Arian is also sampling to determine if there are zones of disseminated silver-base metal mineralization around the veins which could be mined using bulk tonnage underground methods – which have much lower cost than traditional underground mining. And lastly, there may be some splay veins that they missed completely and were never mined.

Inside the tunnels I was sometimes at the bottom of a large stope, where the roof rock is 150 feet above you. I felt like I was in an underground cathedral. Arian still needs to dewater some of the old workings at the lower levels. They can pump 4000 gallons per hour – which is great news for the locals. Zacatecas is a very dry area, and all water is greatly appreciated by the farmers.

After walking around underground for an hour, we drove back up to the brilliant sunshine on surface, heading over to the old Santa Ana Mine, 800 m west of the San Jose head frame. Santa Ana is still on the main SJV.

Arian has both its drill rigs at Santa Ana, fanning out 3 holes from the same collar at 50 and 100 metre spacings between Santa Ana and the Solidaridad Zone, a further 1000 metres to the west. The goal is to drill a full 4000 metre strike length of the SJV, with 3 successively deeper holes on each drill location (or collar) to prove up a vertical mineralization of 200 metres (and remaining open at depth), and a horizontal mineralization averaging about 10 metres – which is a big vein.

And that is reason Arian is there – to potentially mine a large vein with a long reserve life. Investors will ask – just how big is the San Jose project?

Here's my math:

1. A 4000 m x 10 m x 200 m vein = 8,000,000 cubic metres of ore
2. 8,000,000 x 2.6 (specific gravity – the number of tons in a cubic metre) = 20,800,000 tons
3. 20,800,000 x 8 ounces per ton silver equivalent (this will include the substantial base metal credits of zinc and lead) = *166.4 million ounces of silver equivalent.*

Of course, they still have to prove that. They have now moved a second drill rig to the property, and are drilling in between the known silver zones on the property. Generally silver occurs in shoots along the vein – their challenge is to prove the base metal grades between the shoots (the four zones I mentioned earlier - Gallega, Santa Ana, Solidad and Guanajatillo)

Arian's initial resource calculation should be out by mid-February, says Jim, which will be less than but the first stepping stone to 150 million ounces equivalent. He wants to have the second, updated resource ready by mid-summer 2008, which he is hoping will contain the big number.

Lastly, it's always difficult to put a value on the team that a company has. On the ground Jim has two Brit ex-pats, Matt and Owain who are competent and full time. They have the San Jose Mine Manager from the previous operators. Jim himself has put a silver mine into production on time and on budget in Mexico.

At the board level is Chairman Tony Williams, who has raised almost \$1 billion for mining projects in his career. Director Jim Crombie was CEO of Palmerajo Mining which was bought out for \$1 billion by Coeur d'Alene Mining in 2007. Director David Cohen turned his Northern Orion into a major copper producer almost overnight and was recently absorbed in a multi-billion dollar merger with Yamana Gold.

Should Jim and his team be able to generate the silver resources they believe they can, investors may decide Arian Silver deserves a revaluation.

Gord Zelko, Publisher

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**Arian Silver paid for my expenses on this trip.

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