

Recommendation

Speculative Buy

Target Price

\$0.50

Risk

High

Average Daily Volume

247,500

Quick Facts

Symbol	AGQ:TSX-V AGQ:AIM I3A:FF
Price (Jan 17)	\$0.36
52-Wk. Range	\$0.65-\$0.225
Shares O/S	100.7 million
Market Cap	\$36.2 million
Year-End	December 31

ARIAN SILVER CORPORATION



Data Source: www.BigCharts.com

Arian Silver Corporation is an early-stage junior mining exploration company.

RECENT DEVELOPMENTS

1. Option to acquire 100% interest in San José silver-base metal property

Arian Silver Corporation (“Arian Silver” or the “Company”) acquired in December 2006 an exclusive option to earn 100% interest on San José silver-base metal property in Zacatecas State, Mexico. Held by Minera Servicios Mineros San Gerardo SA de C.V., the property lies some 55 kilometers southeast of Zacatecas within the Ojocaliente silver mining district.

The San José property, which covers two mining concessions expiring in June 2032, totals approximately 4,000 hectares. It includes the workings of the San José Mine, which was in operation from 1973 to 2001, a number of mine buildings, and a 400 tonne per day (tpd) shaft. The mine is also accessed by a 4 metre (m) by 4m decline haulage ramp, which extends 2km to the east and 1km to the west. Previously, Zimapan S.A. de C.V., a subsidiary of Mexican silver miner Minera Peñoles, extracted from San José property approximately 917,000 tons of material grading 228 g/t silver, 0.22 g/t gold 1.5%

lead, 2.37% zinc, and 0.08% copper from 1973 to 1991. Under a new owner in 1993, the mine operated at 400 (tonnes per day) tpd capacity until it closed in 2001 due to high transportation costs.

The option agreement calls for Arian Silver to pay Minera San Gerardo US\$1.5 million over three years, with Minera San Gerardo holding a 2% Net Smelter Return (NSR).

COMMENT: *Arian Silver’s acquiring interests in the San José property, a former silver producing mine, is consistent with its ‘brown field’ strategy. If new mineable reserves can be defined and economic condition permits, the Company can produce silver from San Jose at a shorter development time, given its existing access to the mine, e.g. the 400 tpd – shaft and the 3 km – underground ramp, which can be either expanded or redeveloped to suit projected production capacities. Regarding exploration, the western portion of the main San José vein (5 km long and 2 – 18 m wide) still holds vast potential for silver resources, considering historical mining has focused only on the eastern portion of the main vein.*

STRENGTHS

- Key projects are ‘brown field’ sites (previously mined and explored)
- Properties are in known mineral districts and geology
- Demand and pricing for silver expected to continue strong

RISKS

- Focus on single metal (silver) increases vulnerability to commodity price swing
- Ability to raise funds to explore and develop the projects
- Ability to define economic resources

CONCLUSION

- Advanced-stage projects offer excellent exploration and development potential

2. Expansion of Tepal land-holdings

The Company expanded its land-holdings around its existing Tepal property in Michoacán State in Mexico in January 2007. The newly-acquired mining claim (Tepal 2), covering 12,500 hectares, surrounds the five Tepal mining claims (Tepal 1) that Arian Silver already holds under option, bringing the total land position of Tepal claims to 14,900 hectares.

The Tepal 2 property covers a number of mineralized gossans and areas of alteration and oxidation that Teck Cominco discovered in the 1990s. These gossans are very similar in appearance to the rocks that host the mineralization on the existing Tepal property, where drilling by Inco Ltd in 1974 has outlined a historical resource (non NI 43-101 compliant) of 27 million tons grading 0.33% copper and 0.65 g/t gold.

Arian Silver has obtained all relevant permissions including environmental permits to conduct exploration on both Tepal properties. The Company plans to commence an exploration program including remote sensing survey and production of topographical maps over the Tepal claims during the first quarter of this year to be followed by drilling on the second quarter.

COMMENT: *Expanding the existing Tepal claims areas gives the Company a leverage of identifying potential extensions of mineralization, and probable additional resources, from the surrounding areas. Previous geochemical survey by Teck has identified a number of large, co-incident copper-gold anomalies that appear to trend off from Tepal 1 property into the new Tepal 2. With a focus on silver, the planned fieldwork can help locate new zones of mineralization on both areas that can be further evaluated for drilling to generate data for resource estimations of the Tepal properties.*

Note: We have relied upon the data and information contained in the documents submitted by Arian Silver Corp to the TSX Ventures and LSE AIM stock exchanges in formulating the above-mentioned comments. There were no independent exploration work or field visits made while preparing this commentary.

CONCLUSION

The acquisition of the former San José silver mine in Zacatecas and the expansion of the Tepal property in Michoacán, both in Mexico, reinforces the bid of Arian Silver Corp to become a significant player in the silver exploration sector. Both properties hold strong potential for silver resources. Further evaluation from geophysical work to drilling can lead to delineating NI 43-101 compliant resources from these two properties.

We will be issuing a further commentary upon the release of the historic drill data on San José as well as initial drill results from Calicanto.

In the meantime, we continue to recommend the shares of Arian Silver Corp as a “Speculative Buy” to risk-tolerant investors, and we maintain our 12-month Target Price of \$0.50 per share.

ANALYST CERTIFICATION

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eResearch analysts on this report: Adrian Manlagnit, B.Sc. (Mining Engineering) has been working as a Geological Analyst with InfoMine, Inc. in Vancouver, B.C. since 2002, providing analysis of technical documents for exploration and mining companies as well as writing industry articles for online publication. He is also the editor of two TechnoMine (a division of InfoMine) websites on underground and open pit mining. Prior to InfoMine, he worked as Physical Scientist with the Geological Survey of Canada in Vancouver, and was involved in structural mapping in the Yukon and GIS modeling and map-making of field data. He is in the process of obtaining his Engineer-In-Training registration with the Professional Engineers Association of B.C.

Bob Weir, B.Sc., B.Comm., CFA. Bob Weir has 40 years of investment research and analytical experience in both the equity and fixed-income sectors, and in the commercial real estate industry. His experience ranges from being a research analyst for nine years at investment dealer Wood Gundy Limited, to Vice-President Corporate Development at property owner/manager Lehndorff Inc., to Executive Vice-President at Dominion Bond Rating Service (DBRS). He joined eResearch in 2004.

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- Buy:** Expected total return within the next 12 months is between 10% and 40%.
- Speculative Buy:** Expected total return within the next 12 months is substantial, but Risk is High (see below).
- Hold:** Expected total return within the next 12 months is between 0% and 10%.
- Sell:** Expected total return within the next 12 months is negative.

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- High Risk:** Financial - Little or no revenue and earnings, limited financial history, weak balance sheet, negative free cash flows, poor working capital solvency, no dividends.
- Operational - Weak competitive market position, early stage of development, unproven operating plan, high cost structure, industry consolidating, business model/technology unproven or out-of-date.
- Medium Risk:** Financial - Several years of revenue and positive earnings, balance sheet in line with industry average, positive free cash flow, adequate working capital solvency, may or may not pay a dividend.
- Operational - Competitive market position and cost structure, industry stable, business model/technology is well established and consistent with current state of industry
- Low Risk:** Financial - Strong revenue growth and earnings over several years, stronger than average balance sheet, strong positive free cash flows, above average working capital solvency, company may pay (and stock may yield) substantial dividends or company may actively buy back stock.
- Operational - Dominant player in its market, below average cost structure, company may be a consolidator, company may have a leading market/technology position.

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