Growth Stocks Weekly

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Performance: Year ended April 1996 **116.9%**; 1997 **28.1%**; 1998 **36.4%**; 1999 **39.4%**; 2000 **180.9%**; 2001 **-50.5%**; 2002 **18.7%**; 2003 **28.8%**; 2004 **166.7%**; 2005 **28.2%**; 2006 **153.3%**

Junior Gold and Natural Resource Sector Report

September 12, 2006

Advanced "Pure-Play" Silver

ARIAN SILVER (AGQ-TSXv)

Daily Chart, High $0.65, Low $0.39, Last Trade $0.40

Arian Silver Corporation is well-sponsored "pure-play" silver company, the first to go public and trade on AIM of the London Stock Exchange as of May 2006. Because London's AIM is largely institutionalized, Arian was co-listed late July 2006 on the TSX Venture Exchange (ticker symbol "AGQ") in an effort to attract the North American retail investor and enhance liquidity. Management, insiders and institutions hold the substantial majority of shares.

The word "Arian" is Welsh for silver. Arian Silver is essentially an acquisition vehicle. The management of Arian Silver was assembled to build a significant silver producer through a combination of development and acquisition opportunities. With strong financial sponsorship and a well connected operations group, Arian Silver offers strong leverage to silver prices.

Arian focused initial exploration and development efforts on one of the richest known silver-bearing districts in the world, the Zacatecas State of Mexico, acquiring a superb portfolio of silver assets. These are expected to be large-tonnage medium-grade mechanized mining projects as opposed to conventional (using shafts) narrow-vein projects.

Arian more recently acquired the Tepal project, 450 miles southwest of Zacatecas, a polymetallic prospect initially explored in the ‘70s and ‘90s by several blue-chip companies such as Hecla, Teck, and Inco. In those days, they were looking for gold and copper, not for silver. Indications are that there is significant silver mineralization present suggesting a potential resource of 150+ million ounces of “silver equivalent” when gold and copper values are taken into account.

Arian also acquired recently a valuable extension to its Calicanto Group of projects; this new project, called ‘Misie’, has a number of parallel and semi-parallel structures to the main Calicanto structure, and perpendicular structures that are currently being exploited in an adjacent property controlled by TSX-V-listed Capstone Gold.

No money was raised during the reverse takeover process so trading is somewhat limited. The company is likely to carry out a financing before the year-end as it needs more funds for drilling at the Calicanto and other projects, as well as for further acquisitions currently being considered.

Management

The junior resource market is primarily about people; finding the right people with deal flow qualified and trained to manage the assets is very difficult. Finding these teams as an early stage investment can be rather challenging to a resource company. Arian’s team provides clear optics as to the potential ultimate success for the company’s growth mandate, and given silver’s fundamentals and the timing within a secular commodity bull market, early positioning offers a relatively low-risk, high-reward scenario.

The Chairman of Arian Silver is Tony Williams, who is also Chair of European Minerals (EPM-TSX), currently building a large gold-copper mine in Kazakhstan. He is also involved with European Diamonds and African Copper in Botswana. Tony has raised more than a hundred million dollars for EPM, and hundreds of millions for resource companies in the 1990’s as the European head of Yorkton Securities.

David Cohen is on the board – David is CEO of Northern Orion Resources (NNO-TSX, NTO-AMEX) which is a low cost producer of gold & copper in South America generating substantial cash flow.

Ex- Director Gord Keep was executive chairman of the public shell company on the AIM board in London (Hard Assets Inc.) through which Arian Silver went public via a reverse takeover. He is Managing Director of Endeavour Financial, one of the most powerful mining finance houses in North America. This suggests that the Endeavour group has a substantial position in Arian, as Hard Assets Inc. received 46% of the merged company’s approximately 86 million shares issued (96 million fully diluted). Gord agreed to resign with affect from Admission, ostensibly to make room for a new director and management slate representing the operating company.

Endeavour has an exceptional merchant banking and funding history, and has the ability to raise a lot of money for a large, high profile asset. It has an enviable track record of building companies through astute acquisitions. Growth through acquisition is how Endeavour and its management teams built up Wheaton River Minerals (WRM-TSX, since merged with Goldcorp), Bankers Petroleum (BNK-TSX), and Urasia Energy (UUU-TSXV).

The founder and CEO of Arian is a Welsh geologist and all-around mining man named Jim Williams. Jim has a keen interest in silver and has spent the better part of the past four years looking for it in the historic Zacatecas mining districts of Mexico. Before founding Arian, Jim helped other companies find and acquire historic mines (and in fact, entire mining districts) as well as old tailings dumps with high silver grades, primarily in Zacatecas state. Over a two year period Jim concentrated his efforts on assembling the current portfolio of Zacatecas silver projects for Arian. Prior to this Jim was a Director of a U.S.-based silver exploration company that moved into Mexico on his advice. Within 12 months it became a silver producer through the acquisition and subsequent successful construction of a large VAT leaching operation using environmentally friendly thiosulphate solution. Jim’s modus operandi for Arian has not changed and he is currently looking at similar projects with a view to obtaining near-term cash flow.

Properties

Arian has acquired progressively larger assets to date, all in Mexico. All are "brown-field" sites with substantial past exploratory works having been undertaken and generally have significant mine infrastructure in place.

Arian’s projects within Zacatecas State can be broadly categorized as belonging to three geographically different regions, namely, Zacatecas, Ojocaliente and Sombrerete. The Tepal project is located in Michoacan State, some 9-10 hours drive from Zacatecas City.

Zacatecas City is about an hour’s flight north of Mexico City. It’s at an elevation of about 8,000 feet, and has a temperate climate. Arian has been carrying out underground exploration at its two most advanced projects, Calicanto Group and San Celso, since mid-2005. The nearest one, Calicanto Group, is about 15 minutes drive from Arian’s local office in Zacatecas and is their initial main project.

The Calicanto Group project comprises four concessions (three are under option to Arian and include the past productive Nevada-Calicanto epithermal vein system, and one is 100% owned through Arian’s 100% owned Mexican subsidiary). Currently focused on the Calicanto Group system, Arian has employed local mining contractors to advance the decline along the 5 metre wide zone of mineralization. The average width of the veins is 1.5 to 2.0 metres but the vein system (including the quartz stockwork and parallel veins) can exceed 5 metres. Assay results from vein material returned values of more than

10,000g/t silver (Ag) and 10.90g/t gold (Au) over 1.2metres, but such high grades cannot be expected to remain consistent. Some of the better recent assay results from channel sampling have topped 1,000 g/t silver and 10.7 g/t gold over 1.2 metres and 1,720 g/t silver and 1.9 g/t gold over 1.7metres. Typical silver grades are around 700 g/t, the silver/gold ratio is ~ 500:1.

Management is now pushing the 4 metre by 4 metre decline about minus 12 degrees along the structure, advancing in channel sampling as they go along and taking bulk samples once every four to six weeks. They have a good indication of run-of-mine material over the length of the structure. Further assays are due soon. Run-of-mine material from the decline is being processed at a local flotation mill. Results from a recent 165 tonne bulk sample returned grades of 393 g/t silver, 1.42 g/t gold, plus base metal credits, with 60 per cent recovery for gold and 73 per cent for silver. These are good results. A 2,100 metre drilling program is planned for 2006.

Arian's latest acquisition, the Tepal Project, was explored in the 1970s and the 1990s by a number of companies including INCO, Teck and Hecla. About an eight to ten-hour drive from Zacatecas, this polymetallic project could potentially be a large open pit or a number of open pits within the 1,400+ hectares Arian picked up. The historical data indicates 79 million tonnes of mineralization grading 0.5 grams/tonne (g/t) gold (Au) and 0.25% copper (Cu), equating to 1.23 million contained ounces of gold and 433 million contained pounds of copper. The historical data also indicates potential for higher-grade within these zones. The property has great size potential.

Both INCO and Teck were interested in Tepal as a copper-gold porphyry target, regarding silver only as a by-product. Hecla's primary focus was as a large tonnage, low-grade gold target. Tepal was not systematically tested for silver by previous owners because of its low price at the time. Arian management believes that potentially significant quantities of silver, as well as other metals, could also be present at the Tepal Project. The majority of the drill holes were not assayed for silver – yet some historic silver grades returned "interesting values" according to management.

At San Celso, Arian has accessed and re-laddered two mine shafts to over 100 metres depth and has undertaken underground sampling, surveying and mapping. Historic mining appears to have been focused on high grade shoots near to surface, however, potential economic mineralization is found in structures in the hanging wall and footwall of the main vein systems and in places can be up to 6 metres wide. Assay results from these structures have returned values assaying 3.5 g/t gold and 2,683 g/t silver over 1 metre. The potential of the San Celso property is thought to lie in the extension of these veins along strike and to depth. It is also possible that there are other mineralized structures on the property, either partially exploited by the San Celso old mine workings or undiscovered.

Arian also has a few other projects in the Zacatecas area, including the Ojocaliente, about 45 to 60 minutes' drive southeast of Zacatecas, as well as several more grassroots projects, three to four hours' drive northwest of Zacatecas.

Acquisitions now being considered are probably being introduced via Endeavour, so the dual listing may also simplify these deals. An early one could be a silver tailings project, which would have the potential to generate early cash flow similar to what Minco is hoping to achieve with its Laguna project, also in Zacatecas, and what OTC-BB listed Sterling Mining has achieved with its Baroness Tailings Project just outside the City of Zacatecas.

Arian is basically interested in developing multiple 50+ million ounce silver deposits totaling at least 150 to 200 million ounces within proximity to a single processing facility, and is spearheading its exploration efforts in one of the richest known silver-bearing districts in the world, the Zacatecas State of Mexico. The deposits must be exploitable by decline vs. shaft, which would allow the exclusive use of rubber tired LHD (load-haul-dump) equipment for all phases of ore transport. In addition, stockworks and disseminated mineralization would be exploited up to aggressive cutoff grades. The idea is to bulk mine, not high grade like the old timers (mechanized vs. conventional mining). Such a plan, according to the company, should result in a mine life of at least 10 years, with cash production costs under $3.50 per ounce of silver. Projects have prior exploration and production history, significantly reducing risks and capital costs. Arian's forward-looking strategy is to develop projects towards production through a combination of company development and/or joint venture and acquisition opportunities. These are clear and easy to understand goals and should Arian succeed in achieving them, shareholders would be handsomely rewarded.

Silver

Arian Silver is said to be the only pure silver company on the London AIM market. This can be both good and bad as the price of the metal has been very volatile of late. The World Silver Survey 2006 just published by GFMS points to the fact that it has been as low as US$6.39/oz in the last twelve months and topped out recently at a fraction under US$15/oz compared with the present price of US$11.32. This is attributed to a surge in investor interest, strong industrial offtake, a fairly stable jewelry sector and modest input from scrap. Global mine production rose by 3 per cent to 19,954 tonnes, but this was more than matched by net investment alone which rose by 23 per cent to 1,478 tonnes with the new exchange traded fund (ETF) starting to play its part.

Mexico

Arian's geographical focus is currently on Mexico, which is a good address. The recent elections brought on by the end of the legal term for Vicente Fox have maintained a Conservative Party in power, and this will mean at least an equal business-friendly administration, which is generally pro-mining. Hence Mexico is still probably one of the best countries for foreign-owned mining operations, especially when it comes to silver. Zacatecas state is a prolific silver producer as evidenced by the 1 billion ounces of historical mine output. It is also the locale of the gigantic Fresnillo mine of Industrias Penoles, the largest primary silver mine in the world second only in total silver production to BHP's polymetallic Cannington mine in Australia.

Investors with exposure to exploration or mining in Mexico should understand that country's mining laws. Basically, the historic mining districts are located on privately owned land and mineral concessions do not automatically confer any surface or water rights. In most cases, surface access is typically obtained through negotiation with the landowner or if that is unsuccessful, the Mexican government will usually issue temporary occupancy orders. There are exceptions of course. Disputes at best will put a project in temporary limbo and at worst derail it. Since Arian will likely reach a point with one or more of its properties where it will need to deal with surface, water and other rights, investors who pay attention to such matters will have a better handle on company prospects than will others.

Summary

Arian Silver Corporation is a relatively late arrival to a resource market already well represented with companies destined for either greatness or folly. But when viewed as a "pure silver play", Arian joins a much smaller field. Arian's objective is to build shareholder leverage to silver through expanding silver resources and reserves, and eventually production per share. Their initial strategy, to obtain advanced and low-acquisition-cost silver projects and rapidly build up resources in the ground, is well under way.

Arian gave up a larger-than-normal part of the company (43%) to gain the sponsorship of the Endeavour group, resulting in a current market capitalization on the high end of what otherwise might be reasonable. But they now have access to a very powerful finance group that has raised hundreds of millions of dollars for their clients. Endeavour raised almost C$700 million for Urasia Energy since November 2005 and they clearly have access to strong deal flow. One need understand when looking at a company with no producing assets or cash flow that success most of the time evolves around the people who have a track record and are capable of making things happen. Arian's valuation is the price of admission for playing with a smart crowd who thinks big.

The main reason to buy a specialist like a primary silver stock is because you expect it to out-perform other resource stocks during a bull market in precious metals and natural resources. Arian is a company with a well-defined strategy and ready access to capital and deal flow. We suspect that the company can, especially in the current environment with investors again seeing the glass as half-empty rather than half-full, acquire and develop highly prospective, advanced stage "brown-field" silver projects in Mexico. Brown-field refers to areas where previous mining activity of some sort has taken place and some or all infrastructure still remains in place.

It is unusual to have a junior with this level of exposure to the collective expertise of company management and insiders, including the Endeavour mining franchise, in the areas of exploration, mine finance, deal making, project development, company building, geology and prospecting.

Website: www.ariansilver.com

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