



ARIAN SILVER CORPORATION

Management's Discussion and Analysis

of the Financial Condition and Results of Operations

For the Financial Year ended 31 December 2014

30 March 2015

COMPANY INFORMATION

DIRECTORS	Anthony (Tony) J. Williams, <i>Chairman</i> James (Jim) T. Williams, <i>Chief Executive Officer</i> Thomas A. Bailey <i>Non-executive</i> James S. Cable <i>Non-executive</i> James A. Crombie <i>Non-executive</i> David C. Laing <i>Non-executive</i> Oliver Rodz <i>Non-executive</i>
CORPORATE SECRETARY	David H. Taylor
HEAD OFFICE	Berkeley Square House Berkeley Square London, W1J 6BD United Kingdom Tel: +44 (0)20 7887 6599 Fax: +44 (0)20 7887 6598
REGISTERED OFFICE	Craigmuir Chambers P.O. Box 71 Road Town, Tortola British Virgin Islands
NOMINATED ADVISER	Grant Thornton UK LLP 30 Finsbury Square London, EC2P 2YU
BROKER	Northland Capital Partners Limited 131 Finsbury Pavement London, EC2A 1NT
FINANCIAL PR	Yellow Jersey PR Limited 76 Great Suffolk Street London, SE1 0BL
AUDITOR	BDO LLP 55 Baker Street London, W1U 7EU
REGISTRAR	Computershare Investor Services Inc 100 University Avenue Toronto, Ontario, M5J 2Y1 Canada
STOCK EXCHANGES	AIM Market of the London Stock Exchange TSX Venture Exchange Frankfurt Stock Exchange
TRADING SYMBOLS	AIM: AGQ (stock is quoted in pounds sterling) TSX-V: AGQ (stock is quoted in Canadian dollars) Frankfurt: I3A (stock is quoted in euros)

Arian Silver Corporation

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INTRODUCTION

This Management's Discussion and Analysis ("MD&A") has been prepared based on information available to Arian Silver Corporation ("Arian" or the "Company") as at 30 March 2015 and compares its fourth quarter and consolidated 2014 financial results with the previous year. This document should be read in conjunction with the Company's audited Consolidated Financial Statements and the related notes which are available on SEDAR at www.sedar.com or the Company's website at www.ariansilver.com.

The audited Consolidated Financial Statements and related notes have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts referred to in this document are expressed in United States dollars, unless specifically stated otherwise.

Arian is a publicly quoted silver exploration, development and production company, operating in one of the richest silver-bearing districts in the world, Zacatecas State, Mexico. The Company is currently developing its flagship wholly-owned San José Project (comprised of the San José mine and La Tesorera Plant) into a sustainable long life, low cost mining operation.

The Company is incorporated in the British Virgin Islands and its common shares are listed for trading on the TSX Venture Exchange and depository receipts are traded on the London Stock Exchange's AIM market. The Company's headquarters are in Berkeley Square, London.

References to the Group include the Company's direct and indirect subsidiaries.

Qualified persons

Mr Jim Williams, Eur Ing, Eur Geol, BSc, MSc, D.I.C., FIMMM, the Chief Executive Officer of Arian, a "Qualified Person" as defined in the AIM Rules of the London Stock Exchange, and a "Qualified Person" as such term is defined in Canadian National Instrument 43-101 ("NI 43-101"), has reviewed and approved the technical information in this MD&A.

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THE STRATEGY

The Company's strategy is to:

- establish a silver mining business capable of sustaining two million ounces per annum, and
- build shareholder value by expanding silver resources on the Company's mining concessions in Zacatecas, Mexico.

OVERALL PERFORMANCE

This past year has seen Arian take great strides towards becoming a silver producer.

In August 2013, the Company purchased the El Bote processing plant (subsequently renamed "La Tesorera") (the "Plant") comprising a crushing circuit with a reported throughput of 150 tonnes per hour, a grinding circuit of four ball mills, two flotation circuits, thickening tanks and filters. Following the acquisition of the Plant in 2013 and during the year, the Plant was disassembled, refurbished, and transported to the Company's 100%-owned site adjacent to the San José mine, where during 2014, site preparations and civil works had been completed, and where the Plant was then reassembled.

In addition to the construction of the Plant, the Company developed the site infrastructure, including the installation of a 4km dedicated 35kV power line connecting the Plant to the grid. Site offices were constructed and haul roads built. Furthermore, Arian commenced construction of the water reservoirs, water management systems and the tailings facility which is nearing completion.

Development of the San José and Santa Ana mine blocks continued and a new decline ramp commenced in the Soledad area. In total, over 1,700 metres of mine development work were completed since October 2014, when the Company entered into a new financing agreement. This development work will support production at levels up to the Plant's design rate of 1,500 tonnes per day ("tpd").

In October 2014 the Company entered into a US\$32 million financing arrangement ("Quintana Financing"), restructuring its convertible loan note and funding the future development of the San José project.

Summary financial information

	Full Year 2014 \$000s	Full Year 2013 \$000s	Change \$000s
Revenue	-	129	(129)
Gross loss	(441)	(564)	123
Net loss for the period	(5,914)	(1,611)	(4,303)
Cash and cash equivalents	2,846	7,241	(4,395)
Total assets	35,865	28,366	7,499

The absence of revenue in 2014 results reflects the termination of toll milling operations in June 2013.

The net loss for the period increased year-on-year primarily on account of a gain of \$3.7 million in 2013 in respect of the reported fair value of the derivative liability of the \$15.6 million convertible loan note issued to Platinum Long Term Growth VIII, LLC in August 2013 ("Platinum Note") and transaction costs relating to the Quintana Financing.

Cash and cash equivalents decreased primarily as a result of the offset of proceeds from the Base Metal Purchase Agreement ("BMPA") and the issue of share capital against the cost of operating activities and investment in the purchase and refurbishment of the Plant.

Total assets increased during 2014 primarily on account of the investment in the Plant and the development of the San José mine.

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REVIEW OF OPERATIONS

San José Project, Zacatecas State

Overview

The 100%-owned San José property lies 55 kilometres to the southeast of the city of Zacatecas and covers eight mining concessions totalling approximately 6,134 hectares. The property has significant infrastructure, including a 4x5 metre main haulage ramp extending more than 8.5 kilometres along the footwall of the San José vein system, and a 350 metres deep, 500 tpd vertical shaft with an operational hoist. In addition, a number of shallower vertical shafts are located along the vein.

Production information summary for San José mine	Full Year 2014	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Head grade (mill): Ag grams per tonne (g/t)	-	-	-	-	-
Tonnes mined	6,632	(695)	-	1,588	5,739
Tonnes milled	-	-	-	-	-
Ag concentrate tonnes produced	-	-	-	-	-
Recovery %	-	-	-	-	-
Ag ounces produced	-	-	-	-	-
Ag ounces per concentrate tonne produced	-	-	-	-	-
Ag ounces sold	-	-	-	-	-
Ag concentrate tonnes sold	-	-	-	-	-

Quarter end inventory balances					
Mined tonnes stockpile	33,647	33,647	34,342	34,342	32,754
Ag concentrate inventory tonnes	-	-	-	-	-
Ag ounces included in concentrate inventory	-	-	-	-	-

Production information summary for San José mine	Full Year 2013	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Head grade (mill): Ag grams per tonne (g/t)	189	-	-	191	174
Tonnes mined	14,501	8,057	1,816	4,628	-
Tonnes milled	3,479	-	-	3,221	258
Ag concentrate tonnes produced	47	-	-	43	4
Recovery %	42.74	-	-	41.42	60.90
Ag ounces produced	9,058	-	-	8,180	878
Ag ounces per concentrate tonne produced	194	-	-	190	251
Ag ounces sold	9,058	-	-	9,058	-
Ag concentrate tonnes sold	37	-	-	37	-

Quarter end inventory balances					
Mined tonnes stockpile	27,015	27,015	18,958	17,142	17,935
Ag concentrate inventory tonnes	-	-	-	4	4
Ag ounces included in concentrate inventory	-	-	-	1,204	878

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	Three months ended 31 Dec 2014	Three months ended 31 Dec 2013	Twelve months ended 31 Dec 2014	Twelve months ended 31 Dec 2013	Change (%)
Head grade - Ag grams per tonne	-	-	-	189	(100)
Tonnes mined	(695)	8,057	6,632	14,501	(54)
Tonnes milled	-	-	-	3,479	(100)
Silver concentrate tonnes produced	-	-	-	47	(100)
Silver ounces produced	-	-	-	9,058	(100)
Silver ounces per concentrate tonne produced	-	-	-	194	(100)
Silver ounces sold	-	-	-	9,058	(100)
Silver concentrate tonnes sold	-	-	-	37	(100)

Mining & milling

Mining activities continued at the San José mine during Q4 2014 in preparation for the resumption of milling activities at the refurbished La Tesorera plant.

In August 2013, the Company purchased the El Bote processing plant (subsequently renamed “La Tesorera”) comprising a crushing circuit with a reported throughput of 150 tonnes per hour, a grinding circuit of four ball mills, two flotation circuits, thickening tanks and filters. Following the acquisition of the Plant in 2013 and during the year, the Plant was disassembled, refurbished, and transported to the Company's 100%-owned site adjacent to the San José mine, where during 2014, site preparations and civil works had been completed, and where the Plant was then reassembled.

The Company has built a strong local operating team that has lead the refurbishment and construction of the Plant, and continues to strengthen its team with experienced plant operators as it transitions from being a development to a producing mining company. Arian encourages its contractors, that wherever practicable, workers are hired from local communities; 90% of the personnel employed at the San José project are from the surrounding ejido-based communities. The Company also employed a number of specialised contractors for the development of the necessary site works, tailings dam and electrical infrastructure for the plant.

Arian negotiated the buyback of a 2% Net Smelter Return (“NSR”) royalty on the San José project from the previous owners, for \$750,000 (including all amounts owed in respect of production from the Company's earlier toll milling operations, paid in instalments over a six month period; the purchase includes any amounts owing for NSR payments due under the former toll milling operations.

By the end of 2014, the Plant was almost fully constructed, as scheduled. Commercial production is expected to commence at an initial rate of up to 500 tpd, increasing to a maximum of 1,500 tpd over the following 18 months.

Exploration assets

The Company holds 28 mineral concessions in Zacatecas totalling 7,822 hectares, including the San José Project.

During the year, the Company applied for a drilling permit in the town of Guanajuatillo which lies on the San José vein in between the Soledad and West End areas. Following several consultations with the local community, in the second half of 2014, the permit was granted and the Company commenced a 5,000 metre drilling programme in Q1 2015 to delineate the resources blocks beneath the town.

Information on Arian's exploration assets are contained in a technical report prepared by A.C.A. Howe International Limited dated 20 March 2006 and entitled “Technical Report on the Calicanto and San Celso Projects, Zacatecas, Mexico”. Additional information on Arian's San José Project is contained in a technical report prepared by CSA Global Pty Ltd dated 23 May 2013. Copies of these reports are available on the Company's website www.ariansilver.com and on SEDAR at www.sedar.com.

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REVIEW OF FINANCIAL RESULTS

Selected annual information

	Annual 2014 \$'000	Annual 2013 \$'000	Annual 2012 \$'000	Change 2014-13 \$'000	Change 2014-13 (%)
Revenue	-	129	4,588	(129)	(100)
Cost of sales	(441)	(693)	(5,352)	252	36
Gross (loss)/profit	(441)	(564)	(764)	123	22
Operating (loss)/profit	(5,923)	(1,567)	(3,958)	(4,356)	(278)
Net investment income/(loss)	9	(44)	(73)	53	120
Net (loss)/profit for the period	(5,914)	(1,611)	(4,031)	(4,303)	(267)
Basic and diluted (loss)/profit per share \$	(\$0.18)	(\$0.05)	(\$0.13)	(\$0.14)	(220)
Intangible assets	1,038	1,168	1,176	(130)	(11)
Property, plant and equipment	28,440	17,651	10,405	10,789	61
Trade and other receivables	2,043	1,326	1,206	717	54
Cash	2,846	7,241	491	(4,395)	(61)
Inventories	1,498	980	644	518	53
Financial assets held for sale	-	-	197	-	-
Total assets	35,865	28,366	14,119	7,499	26
Current Convertible Note liability	-	(11,170)	-	11,170	100
Current derivative liabilities	(5,233)	(52)	-	(5,181)	(9,963)
Non-current Convertible Note liability	(10,666)	-	-	(10,666)	(100)
Non-current derivative liabilities	(6,206)	-	-	(6,206)	(100)
Shareholders' equity	(11,358)	(15,784)	(13,003)	4,426	28

Revenue

Revenues decreased by 100% to \$nil (2013: \$0.1 million) as a result of the suspension of production.

Cost of sales

Cost of sales decreased by 36% to \$0.4 million (2013: \$0.7 million).

Gross loss

The gross loss of \$0.4 million (2013: \$0.6 million) related to operating costs incurred in the period.

Operating loss

The operating loss increased by \$4.4 million to \$5.9 million (2013: \$1.6 million), primarily on account a \$3.7 million gain reported in 2013 in respect of the fair value of the derivative liability of the Platinum Note (which reflected movements to the Company's share price), and transaction costs relating to the Quintana Financing. Furthermore, fees totalling \$0.7 million were paid in respect of extending the term of the Platinum Note, financing transaction costs increased by \$0.5 million, non-cash expenses for the fair value of share-based payments decreased \$0.4 million, and the gross loss reduced by \$0.1 million.

Net loss

Net loss increased by \$4.3 million to \$5.9 million (2013: \$1.6 million), mainly on account of the gain recognised in 2013 on the fair value adjustment of the derivative liability relating to the Platinum Note, which offset operating costs in that year.

Total assets

Total assets increased by \$7.5 million to \$35.9 million (2013: \$28.4 million) primarily due to \$8.7 million in capitalised costs relating to the Plant, a \$2.1 million investment in development of the San José mine, \$0.7 million increase in trade and other receivables and \$0.4 million increase in inventories, offset by a \$4.3 million reduction in cash.

Current and non-current Convertible Note liability

As part of the Quintana Financing, Quintana purchased the Platinum Note which was then cancelled on 29 October 2014 and a new senior secured convertible note was issued to Quintana AGQ Holding

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Co. LLC ("Quintana") for a principal amount of \$16.5 million at an 8% coupon (the "Quintana Note") and 12,151,926 common share purchase warrants exercisable at C\$1.00 per common share until 29 October 2017 were issued to Quintana.

Upon initial recognition of the Quintana Note, \$3.5 million was recognised as a derivative liability, and \$10.7 million recognised as a convertible note liability. The \$10.7 million convertible loan liability incorporated \$2.7 million in respect of transaction costs relating to the fair value of the share purchase warrants, and the effective interest of \$0.4 million that unwound during the period.

Current and non-current derivative liabilities

The derivative liability at 31 December 2013 related to the Platinum Note that was subsequently unwound during 2014. The derivative liabilities held at 31 December 2014 related to the restructured Quintana Note and the BMPA with Quintana San José Streaming Co. LLC ("Quintana Streaming"). These were valued at initial recognition, and subsequently revalued as at 31 December 2014, and split between current and non-current liabilities. The reduction in value of the BMPA derivative liability related to a reduction in commodity prices for lead and zinc from initial recognition to the end of the period. The increase in value in the Quintana Note derivative liability related to the increase in the Arian share price in the period from initial recognition to year end.

Shareholders' equity

Shareholders' equity decreased by \$4.4 million to \$11.4 million (2013: \$15.8 million). This decrease reflects the \$5.9 million loss for the year, a \$2.3 million decrease in foreign exchanges reserves, offset by a \$3.5 million increase in the warrant reserve relating to the warrants issued to Quintana and a \$0.3 million issue of equity.

Quarterly results

	Q4 2014 \$'000	Q3 2014 \$'000	Q2 2014 \$'000	Q1 2014 \$'000
Unaudited				
Revenue	-	-	-	-
Cost of sales	(65)	(223)	(140)	(13)
Gross (loss) / profit	(65)	(223)	(140)	(13)
Net investment (loss)/profit	2	7	(2)	2
Net (loss)/profit for the period	(2,951)	(1,211)	(699)	(1,053)
Basic and diluted earnings/(loss) per share	(\$0.09)	(\$0.04)	(\$0.02)	(\$0.03)
Total assets	35,865	30,352	30,687	29,454
Total current liabilities	(6,789)	(17,606)	(16,127)	(14,422)
Total non-current liabilities	(17,718)	(195)	(192)	(190)
Shareholders' equity	(11,358)	(12,551)	(14,368)	(14,842)

	Q4 2013 \$'000	Q3 2013 \$'000	Q2 2013 \$'000	Q1 2013 \$'000
Unaudited				
Revenue	-	-	129	-
Cost of sales	(49)	(25)	(413)	(206)
Gross (loss) / profit	(49)	(25)	(284)	(206)
Net investment (loss)/profit	1	44	(68)	(21)
Net (loss)/profit for the period	(583)	875	(947)	(956)
Basic and diluted earnings/(loss) per share	(\$0.02)	\$0.03	(\$0.03)	(\$0.03)
Total assets	28,366	27,361	14,582	15,154
Total current liabilities	(12,395)	(11,459)	(986)	(997)
Total non-current liabilities	(187)	(185)	(182)	(186)
Shareholders' equity	(15,784)	(15,717)	(13,414)	(13,971)

Q4 2014 v Q3 2014

The net loss for Q4 of \$3.0 million was \$1.7 million lower than Q3 mainly due to the transaction costs incurred in Q3, comprising of: \$0.7 million in fees paid in respect of the extension of the Platinum Note and \$1.0 million in transaction costs in respect of the Quintana Financing, of which \$0.7 million were non cash-expenses for the fair value of warrants apportioned to the Quintana Note derivative liability.

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Total assets increased by \$5.5 million to \$35.9 million after investment of \$1.9 million in the Plant, a \$1.0 million investment in the San José mine, a \$0.3 million increase in trade and receivables due from the Mexican authorities in relation to sales good taxes recoverable, and a \$0.2 million increase in inventories and an increase in cash of \$2.1 million to \$2.8 million.

Q3 2014 v Q2 2014

The gross loss of \$0.2 million was \$0.1 million higher than Q2 2014. The net loss for Q3 2014 of \$1.2 million was \$0.5 million higher than Q2 2014 due to \$0.3 million transaction costs and \$0.3 million for the fair value adjustment relating to the derivative liability offset by a reduction of \$0.1 million in due diligence costs.

Total assets decreased by \$0.3 million to \$30.4 million compared to Q2 2014 following a decrease of \$2.3 million in cash and \$0.1 million decrease in inventories offset by an increase in the value of the Plant asset of \$1.3 million in the Plant (including a non-cash interest capitalisation of \$1.9 million), a \$0.5 million investment in the San José mine, a \$0.2 million increase in trade and receivables due from the Mexican authorities in relation to sales good taxes recoverable.

Q2 2014 v Q1 2014

The gross loss of \$140k was \$127k higher than Q1 2014. The net loss for Q2 2014 of \$0.7 million was \$0.4 million lower than Q1 2014 mainly on account of the fair value adjustment relating to the derivative liability.

Total assets increased by \$1.2 million to \$30.7 million after investment of \$2.4 million in the Plant (including a non-cash interest capitalisation of \$1.9 million), a \$0.6 million investment in the San José mine, a \$0.1 million increase in trade and receivables due from the Mexican authorities in relation to sales good taxes recoverable, and a \$0.1 million increase in inventories offset by a decrease in cash of \$1.9 million to \$3.0 million.

Q1 2014 v Q4 2013

The gross loss of \$13k was \$36k lower than Q4 2013. The net loss for Q1 2014 of \$1.0 million was \$0.5 million higher than Q4 2013 mainly on account of the fair value adjustment relating to the derivative liability.

Total assets increased by \$1.1 million to \$29.5 million after investment of \$2.5 million in the Plant (including a non-cash interest capitalisation of \$1.9 million), a \$0.6 million investment in the San José mine, a \$0.1 million increase in trade and receivables due from the Mexican authorities in relation to sales good taxes recoverable, and a \$0.1 million increase in inventories offset by a decrease in cash of \$2.3 million to \$5.0 million.

Q4 2013 v Q3 2013

The gross loss of \$49k was \$24k higher than Q3 mainly due to the write back of inventory in Q3 as a result of a marginally improved silver price. The net loss for Q4 of \$0.6 million was \$1.5 million lower than Q3 mainly on account of the fair value adjustment relating to the derivative liability.

Total assets increased by \$1.0 million to \$28.4 million after investment of \$2.3 million in the Plant, a \$0.3 million investment in the San José mine, a \$0.3 million increase in trade and receivables due from the Mexican authorities in relation to sales good taxes recoverable, and a \$0.1 million increase in inventories offset by a decrease in cash of \$2.0 million to \$7.2 million.

Q3 2013 v Q2 2013

The Q3 gross loss of \$25k was \$0.2 million lower than the second quarter, mainly as a result of the suspension of production due to the volatility in the silver price. The net profit for Q3 of \$0.9 million was \$1.8 million higher than Q2 mainly due to the \$2.5 million gain from the fair value adjustment over the derivative liability relating to the convertible note, offset by related transaction costs and a foreign exchange loss.

Cash available at the end of Q3 of \$9.3 million was \$8.6 million higher than Q2 attributable to the proceeds from the convertible note.

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Q2 2013 v Q1 2013

The Q2 gross loss of \$0.3 million and the net loss for Q2 2013 of \$0.9 million were in line with the previous quarter.

Liquidity, working capital and capital resources

Liquidity

At 31 December 2014 the Company had cash and cash equivalents of \$2.8 million (2013: \$7.2 million) and net current liabilities of \$0.4 million.

Cash and cash equivalents decreased by \$4.4 million during 2014 as a result of the offset of: \$7.7 million proceeds from the BMPA and \$0.3 million proceeds from the issue of share capital, against \$5.8 million in the cost of operating activities, \$3.2 million of investment in the purchase and refurbishment of the Plant, \$3.4 million of investment in mine development and \$0.1 million of foreign exchange losses.

Working capital

Current assets

- Cash and cash equivalents of \$2.8 million (2013: \$7.2 million) decreased by \$4.4 million as a result of the offset of proceeds from the BMPA and funds from the issue of shares in connection with the SEDA drawdown against cash invested in the Plant and mine development.
- Trade and other receivables of \$2.0 million (2013: \$1.3 million) increased due to an increase in receivables relating to IVA (Mexican sales tax).
- Inventories of \$1.5 million (2013: \$1.0 million) increased as ore stockpiles increased as mining continues at the San José mine.

Current liabilities

- Trade payables of \$1.6 million (2013: \$1.2 million) increased by \$0.4 million.
- Derivative liabilities of \$5.2 million (2013: \$nil) comprised \$4.1 million in respect of the Quintana Note and \$1.1 million which related an apportionment in respect of the obligations arising within the next 12 months under the terms of the BMPA.

Capital resources

Quintana financing

On 15 October 2014 the Company announced the execution of a \$32 million joint financing package with Quintana and Quintana Streaming, as part of which, Quintana purchased from Platinum a US\$15.6 million principal amount senior secured note of the Company convertible into common shares at C\$1.10 per share. On 29 October 2014, the Company announced conditional approval from the TSX Venture Exchange to restructure the Platinum Note and issue a \$16.5 million senior secured convertible note and 12,151,926 warrants over Common shares to Quintana.

In addition to the restructuring of the Platinum Note, the Company entered into a \$15,635,750 BMPA with Quintana Streaming.

Under the terms of the BMPA, 78.2% of lead and zinc produced at the San José project will be delivered to Quintana Streaming as finished metal until the delivery hurdles of 37,783,112 pounds, in the case of lead, and 32,057,308 pounds in the case of zinc, have been met; thereafter, the percentage will drop to 27.4% of production of each base metal. Quintana Streaming will pay the lesser of market price or \$0.25 per pound of lead or zinc (as applicable) until the delivery hurdles have been met, and \$0.375 per pound thereafter.

Upon reimbursement of the upfront payment of \$15.6 million through the delivery and sale of finished metals, Quintana Streaming will pay an additional 45% of the amount, if any, by which the market price of lead or zinc exceeds \$1.10 per pound of commodity purchased.

The BMPA has a 50 year term, which can be extended for 10 years at a time, at the discretion of Quintana. The Group has the right to buy-back 50% of Quintana Streaming's rights to the San José base metal production within a 3 year period for \$10.6 million. Under the terms of the BMPA, funds will be advanced to the Company upon the achievement of certain operational milestones. Should the

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Company fail to meet one or more of the milestones, it would not receive the full amount of funds that would otherwise be expected from Quintana.

At 31 December 2014, \$8.0 million remained available to drawdown under the BMPA. A further \$4.1 million had been drawn-down in January 2015 (see subsequent events).

Standby Equity Distribution Agreement (“SEDA”)

In September 2012 the Company signed a three year £5 million standby equity distribution agreement with YA Global Master SPV Ltd, an investment fund managed by Yorkville Advisors Global, L.P. The SEDA allows the company to draw down funds in exchange for the issue of shares in the Company.

Under the terms of the SEDA, equity is issued at 95 per cent of the prevailing market price over a pricing period of between 5 and 20 days. The amount of each drawdown may not exceed 400 per cent of the average daily trading volume of shares multiplied by the volume weighted average price on AIM for the five trading days prior to the drawdown request.

Use of the facility is entirely at the discretion of the Company and there are no penalties for not drawing down on the facility.

During the year, the Company issued 541,443 shares under the terms of the SEDA, for an aggregate of £0.3m. £2.1 million remains available to be drawn down before the SEDA expires on 27 September 2015.

Share options

As at 31 December 2014, 2,056,000 share purchase options with exercise prices ranging from £0.325 to £4.925 or C\$0.58 to C\$7.90 expiring on various dates up to January 2019, were in issue, each entitling the holder to acquire one common share of the Company.

Future commitments

The following table discloses the contractual obligations for the Company as at 31 December 2014:

	Less than 1 year
	\$'000
Building lease	102

Income taxes and Mexican tax reform

In December 2013, the Mexican President approved a tax reform bill that enacted a new Income Tax Law (“MITL”) which came into effect in January 2014. The MITL eliminated the scheduled reduction in corporate income tax, maintaining the rate of 30%, and created a 10% withholding tax on dividends paid to non-resident shareholders (subject to any reduction by an income Tax Treaty). The MITL also created a new royalty levied at 0.5% of gross revenues from the sale of gold, silver and platinum (“Extraordinary Mining Royalty”), and a new mining tax whereby the MITL requires taxpayers with a mining concession to pay a new 7.5% tax applicable to earnings before income tax, depreciation, depletion, amortization and interest (“Special Mining Tax”). In calculating the Special Mining Tax there are no deductions related to development type costs but exploration and prospecting costs are deductible when incurred. The Extraordinary Mining Royalty and Special Mining Tax are tax deductible for income tax purposes.

Off-balance sheet arrangements

The Company has no off-balance sheet arrangements.

Transactions between related parties

Directors' interests in shares of the Company

At 31 December 2014 the directors of the Company and their immediate relatives controlled approximately 2.5% (2013: 2.6%) of the voting shares of the Company.

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Directors' interests in the common shares of the Company as at 31 December 2014 and 2013 are set out below:

	2014	2013
A J Williams	220,000	220,000
J T Williams	480,000	480,000
J A Crombie	150,000	150,000

Transactions involving key management personnel

During the year ended 31 December 2014 the Company entered into the following transactions involving key management personnel:

Quintana and Quintana Streaming

On 15 October 2014 the Group executed a \$32 million joint financing package with Quintana and Quintana Streaming. As at 31 December 2014 Arian held the following balances in relation to the Quintana Financing; convertible note \$11.6 million (2013: \$nil), and derivative liabilities \$10.1 million (2013: \$nil). Interest of \$0.5 million (2013: \$nil) was capitalised during the year ended 31 December 2014.

Oliver Rodz was appointed as a director of the Company subsequent to the Quintana Financing. Mr Rodz is the President of Quintana and Quintana Streaming.

Siberian Goldfields Ltd

On 24 September 2013 the Company acquired an option for \$200,000 to conduct due diligence on Siberian Goldfields Ltd ("SGL") and its mineral properties, with a view to Arian undertaking a potential equity transaction or other corporate transaction or investment with SGL ("Transaction"). On 27 November 2013, Arian gave notice to SGL of its election not to proceed with a Transaction.

The option grant fee is repayable by SGL to Arian together with interest payable at a rate of 10% per annum in the event that Arian elects not to proceed with a Transaction. Interest accrued during the year ended 31 December 2014 amounted to \$25,000 (2013: \$3,780). As at 31 December 2014, \$221,469 (2013: \$203,780) was owed to Arian by SGL.

Tony Williams is a director of the Company and both a director and shareholder of SGL.

Dragon Group Ltd

Dragon Group Ltd charged the Company a total of \$134,003 (2013: \$121,498). This relates to the reimbursement of Tony Williams' remuneration paid on behalf of the Company. Tony Williams, Chairman and a director of the Company, beneficially owns Dragon Group Ltd. At 31 December 2014, \$15,742 (2013: \$10,672) was outstanding.

Critical accounting estimates

The preparation of financial statements in conformity with IFRS requires the Company to select from possible alternative accounting principles and to make estimates and assumptions that determine the reported amount of assets and liabilities at the balance sheet date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained and are subject to change. The Company's accounting policies are considered appropriate in the circumstances, but are subject to judgements and uncertainties inherent in the financial reporting process.

The following section discusses the critical accounting estimates and assumptions that management has made and how they affect the amounts reported in the consolidated financial statements. We consider these estimates to be an important part of understanding our consolidated financial statements.

Going concern

The financial statements have been prepared on a going concern basis.

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At 31 December 2014 the Company had net current liabilities of \$0.4 million. \$4.1 million of the current derivative liability balance relates to the valuation of the conversion option of the Quintana Note, which will not be settled in cash and, when added back, results in net current asset position of \$3.7 million.

In October 2014 the Company entered into the \$32 million Quintana Financing arrangement, which is expected to complete the Group's funding requirements for the development of the San José project. Please refer to the Capital Resources section on page 10 of this document.

Included in the Group's cash flow forecast are assumptions over the ability to drawdown funds available to it under the BMPA with Quintana Streaming, which is subject to the Group meeting certain operational milestones. Under the terms of the BMPA, the Group is also subject to covenants over the operational performance of the San José mine and La Tesorera processing plant ("Completion Tests"). If the Group does not satisfy the Completion Tests, Quintana may elect to terminate the BMPA and require the Group to repay the uncredited balance of the upfront payment under the agreement. At the time of releasing this report it was the directors' opinion that the conditions surrounding the drawdown milestones and operational covenants under the BMPA were expected to be satisfied. At 31 December 2014, \$8.0m remained available to draw down under the BMPA. A further \$4.1m was drawn down in January 2015 as detailed in Subsequent Events.

In March 2015 the Group produced the first concentrate from the La Tesorera plant. The San José project remains in a commissioning phase as the Company progresses the project into production and ramp-up. There are risks associated with establishing new mining and processing operations, the realisation of which, could delay profitable commercial production and increase the Company's working capital requirements. The Company manages these risks by employing a proven processing method, completing studies over the critical aspects of the project to ensure that the variables and operational risks are understood, by employing a management team and contractors with suitable capabilities and experience, and building into its business model, contingency to manage events such as deterioration in market conditions or operational difficulties.

The directors currently believe the Group has adequate financial resources or access to such resources in order to continue to prepare the Company's financial statements on a going concern basis.

Resource Properties, Deferred Exploration and Development Costs

All costs related to the exploration of mineral properties are capitalised until either the properties are brought into production, at which time they are amortised over the estimated life of the project, or until the properties are sold, or title rights allowed to lapse, or are abandoned or determined not to be commercially viable, at which time they would be charged to the Statement of Comprehensive Income.

The amounts capitalised at any time represent costs to be charged to operations in future and do not necessarily reflect the present or future values of particular properties. The recoverability of the carrying values of exploration properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete development and future profitable production therefrom, or alternatively, upon the Company's ability to dispose of its interests on an advantageous basis.

Management is of the view that the current policy is appropriate for the Company at this time and is consistent with many other public mineral exploration and development companies in the UK and Canada. Shareholders are advised that carrying values are not necessarily indicative of present or future values. The Company assesses whether impairment exists in any of its exploration projects and writes down that project to its estimated recoverable value when such impairment is found to exist. Any write-down is recorded as an expense in the Company's income statement in the financial statements for the relevant period.

Share based payments

The share option programme allows Company 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 the grant date and spread over the period until the share purchase options vest unconditionally. The fair value of the options granted is

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measured using the Black-Scholes model, taking into account share price movements and 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.

Revenue recognition

Revenue from sales of metal concentrate is recognised when title transfers and the rights and obligations of ownership pass to the customer. The Company's sales of concentrate are made under pricing arrangements where final sales prices are determined by quoted market prices in a period subsequent to the date of sale. In these circumstances, revenue from sales is recorded at the time of the sale based on forward prices for the expected date of final settlement. Subsequent variations in prices are recognised as revenue adjustments as they occur.

In a period of extreme and unusual price volatility, the effect of mark-to-market price adjustments related to the quantity of metal which remains to be settled with independent smelters could be significant.

Derivative liability – Convertible Note

The conversion option of the Convertible Note has been treated as an embedded derivative because it does not meet the definition of equity.

On initial recognition, the fair value of the derivative liability is established using a Monte Carlo simulation valuation model. Subsequently, the derivative liability is fair valued at each reporting date and changes in the fair value are taken directly to the profit or loss. The derivative liability is impacted by price risk and foreign currency risk.

Derivative liability – BMPA

Management has determined it appropriate to measure the entire BMPA as a derivative liability and revalue at fair value through profit or loss.

On initial recognition, the derivative liability was fair valued using a discounted cash-flow analysis. The fair value of the derivative liability is established with reference to the amount of the facility drawn down under the BMPA, and the split of obligations between those of a current and non-current nature. Subsequently, the derivative liability is fair valued at each reporting date and any changes in the fair value are taken directly to the profit and loss. The derivative liability is impacted by price risk, volatility of metal prices and operational performance.

Warrant reserve

The Company estimates the fair value of the future liability relating to issued warrants using the Black-Scholes pricing model. The fair value of warrants is recognised as an expense with a corresponding increase in equity. The fair value is measured at issue date and spread over the period until the warrants vest unconditionally. The fair value of the warrants issued is measured using the Black-Scholes model, taking into account the terms and conditions upon which the warrants were issued.

Inventories

Concentrates and stockpiled ore are valued at the lower of the average production costs or net realisable value. The assumptions used in the valuation of those inventories included estimates of metal contained in stockpiled ore, assumptions of the amount of metal that is expected to be recovered, assumptions of the smelting terms as well as assumptions of the metal prices and exchange rates expected to be realised when the metals are recovered. If these estimates or assumptions prove to be inaccurate the Company could be required to write-down the recorded value of its inventories, which would reduce the Company's earnings and working capital. Net realisable value is determined with reference to market prices.

Changes in accounting policies including initial adoption

In order to comply with International Financial Reporting Standards as issued by the International Accounting Standards Board, the Group has chosen early adoption of IFRS 10, 11 and 12, however these do not have a material impact on the financial statements.

SUBSEQUENT EVENTS

Operations

In January 2015, mechanical completion of the Plant was achieved and the Company commenced a phased commissioning programme, starting with the silver-lead circuit and then moving onto the zinc circuit.

In February 2015, the company commenced a 5,000 metre exploration programme within the town of Guanajuatillo, which lies on the San José vein in between the Soledad and the West End area and which the Company had not previously explored, even though historic workings together with recent geological interpretation indicate that the vein continues underneath the town. This fifth phase of exploration is underway and scheduled to be completed within Q1 of 2015. Concurrently, the Company commenced construction of a third haulage ramp in the Guanajuatillo area to develop the western boundary of the Soledad resource blocks as well as to open up the Guanajuatillo area. This ramp is part of the mine development programme to ensure a sustainable operation for life-of-mine at 1,500 tpd.

In March 2015 the first lead-silver concentrate was produced at La Tesorera processing plant.

Share options

On 7 January 2015 the Company granted 50,000 share options under the Company's share option plan. These share options are exercisable at £0.44 or C\$0.79 per share up to 5 January 2020, subject to a four months hold period from date of grant.

Funding

Cash of \$4.1 million was received in January 2015 pursuant to the terms of the BMPA. The Company has now received \$11.8 million of the \$15.4 million committed by Quintana Streaming.

RISK FACTORS AND UNCERTAINTIES

The financing, exploration, development and mining of any of the Company's properties is subject to a number of factors including the price of silver, lead and zinc, laws and regulations, political conditions, currency fluctuations, environmental regulations, hiring qualified people and obtaining necessary services in jurisdictions where the Company operates. The current trends of relating to these trends are favourable but could change at any time and negatively affect the Company's operations and business.

The following is a brief discussion of those distinctive or special characteristics of the Company's operations and industry which may have a material impact, or constitute risk factors in respect of the Company's future financial performance.

Financial Risks

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk for Arian comprises two types of risk: price risk and foreign currency risk.

Price risk

The price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments in the market. Arian does not hedge its exposure to price risk.

Price risk in regard to market commodity prices of both lead and zinc may have a significant impact on the value of the BMPA and the associated derivative liabilities.

Foreign Currency risk

The Company's exploration expenditure is made in Mexico in Mexican pesos and head office expenses are predominantly made in the UK in pounds sterling, US dollars and Canadian dollars. The

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Company is therefore exposed to the movement in exchange rates for these currencies. The Company does not currently hedge foreign exchange risk.

At the year end the majority of the Company's cash resources were held in US dollars. The Company therefore also has downside exposure to any strengthening of the pound sterling, the Canadian dollar or the Mexican peso against the US dollar as this would increase expenses in US dollar terms and accelerate the depletion of the Company's cash resources. Any weakening of the pound sterling, the Canadian dollar or the Mexican peso against the US dollar would, however, result in a reduction in expenses in US dollar terms and preserve the Company's cash resources.

In addition, any movements in pounds sterling or Mexican peso would affect the presentation of the consolidated statement of financial position when the net assets of the Mexican subsidiary and parent company in the UK are translated from their functional currencies into US dollars.

There is not considered to be any material exposure in respect of other monetary assets and liabilities of the Group as these are of a short-term nature. The table below shows an analysis of cash and cash equivalents denominated by currency.

Operational performance

The Company's production plan defines the ore blocks to be mined and the production rates which together determine the production of metal concentrate over the life-of-mine. The production plan requires estimates and assumptions to be made, including the mineral resource estimate and expectations regarding mining and processing performance. Such estimates and assumptions are made utilising the judgement of management and the input of independent third party experts. Actual production may differ from the production plan if there are fluctuations in the rate at which ore is extracted from the mine or if the throughput of the processing plant is adjusted. The production plan will be updated as appropriate, to reflect any changes to the mineral resource estimate and other information relevant to the project. Operational performance will significantly impact revenue, operating and capital costs, as well as the value of the BMPA and its associated derivative liabilities.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that the Group uses. Treasury activities take place under procedures and policies approved and monitored by the Board to minimise the financial risk faced by the Group. Interest-bearing assets comprise cash and cash equivalents which are considered to be short-term liquid assets. No sensitivity analysis has been disclosed as management does not consider any reasonable fluctuation in interest rates to be sufficiently material to disclose.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at 31 December 2014, the Company had cash of \$2.8 million to settle accounts payable of \$1,6 million. The Company's accounts payable have contractual maturities of less than 30 days and are subject to normal trade terms. In the short-term, liabilities will be funded by cash. Once the Company resumes commercial production, it is expected that the Company will generate sufficient cash from the sale of concentrates and funds raised from investors to settle operating accounts payable.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's credit risk is attributable to cash and trade receivables. The credit risk on cash is limited because the Company invests its cash in deposits with well-capitalised financial institutions with strong credit ratings. Credit risk attributable to trade receivables is managed by way of off-take agreements.

Fair values

It is the Board's opinion that the carrying values of the cash and cash equivalents, the other receivables, all trade and other payables, current borrowings and investments in the consolidated statement of financial position represent their fair values. The basis of assessing the fair value of the financial assets held at fair value through profit or loss is set out in the valuation hierarchy section of this note.

Capital Management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern and have access to adequate funding for its exploration and development projects, so that it can provide returns for shareholders and benefits for other stakeholders. The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure the Group may issue new shares, acquire debt, or sell assets. Management regularly reviews cash flow forecasts to determine whether the Group has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities.

Sensitivity Analysis

The Group holds cash in pounds sterling to settle accounts payable balances derived in that currency. The main risk is through foreign exchange fluctuations and how this moves in companies where the cash balances are held in a currency that is different to the functional currency.

The BMPA is valued based on expected future commodity prices and the valuation adopted fluctuates dependent upon those future prices.

Other risk factors

Mining concessions and title

In relation to mining concessions over which the Company holds legal rights, if the Company fails to fulfil the specific terms of any of its concessions or operates in the concession areas in a manner that violates Mexican law, regulators may impose fines, suspend or revoke the concessions, any of which could have a material adverse effect on the Company's operations and proposed operations.

Whilst the Company has received legal opinions in respect of title to its properties there is no guarantee that title to such properties will not be challenged or impugned by third parties. The Company's concessions could be subject to prior unregistered agreements, transfers or other claims and title could be affected by unidentified or unknown defects or government actions.

Nature of mineral exploration and mining

Any exploration programme entails risks relating to the location of economic ore bodies, the development of appropriate metallurgical processes, the receipt of necessary governmental permits and the construction of mining and processing facilities. The Company's exploration projects are not in production and no assurance can be given that any exploration programme will result in any new commercial mining operation or in the discovery of new resources.

The exploration and development of mineral deposits involves significant financial risks over a prolonged period of time, which even a combination of careful evaluation, experience and knowledge may not eliminate. While discovery of a mineral structure may result in substantial rewards, few concessions which are explored are ultimately developed into producing mines. Major expenditure may be required to establish reserves by drilling and to construct mining and processing facilities at a site. It is impossible to ensure that preliminary feasibility studies or full feasibility studies on the Company's projects or the current or proposed exploration programmes on any of the concessions in which the Company has rights or is negotiating rights will result in a profitable commercial mining operation.

The Company's operations are subject to all of the hazards and risks normally incidental to exploration, development and the production of minerals. These could result in damage to or destruction of the Company's facilities, damage to life or property, environmental damage or pollution and possibly legal liability for any or all damage, which could have a material adverse impact on the business, operations and financial performance of the Company. The Company's activities could be subject to prolonged disruptions due to weather conditions depending on the location of operations in which the Company has interests. Hazards, such as unusual or unexpected geological formations, rock falls, flooding or other climatic conditions may be encountered in the drilling and removal of material. Although precautions to minimise risk will be taken, even a combination of careful evaluation, experience and knowledge might not eliminate all of the hazards and risks.

Whether a mineral deposit will be or will continue to be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as its size and grade, proximity

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to infrastructure, financing costs and governmental regulations, including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting of silver, changes in the silver price and environmental protection. The effect of these factors cannot be accurately predicted, but the combination of these factors could result in the Company not receiving an adequate return on invested capital.

The Company is transitioning from a development to a producing mining company. In the mining industry such a transition is sometimes a difficult and challenging exercise due to operational issues and risks.

Volatility of metal prices

The value of the Company's resources and financial results of operations will be affected by fluctuations in metal prices over which the Company has no control. A reduction in the metal prices could prevent the Company's properties from being economically mined or result in curtailment of existing production activities or result in the impairment and write-off of assets.

The price of silver, which is affected by numerous factors including inflation levels, fluctuations in the United States dollar and other currencies, supply and demand and political and economic conditions, could have a significant influence on the market price of the Company's common shares.

Requirement for additional financing

Under the terms of the BMPA, funds will be advanced to the Company upon the achievement of certain operational milestones. Should the Company fail to meet one or more of the milestones, it would not receive the full amount of funds that would otherwise be expected from Quintana Streaming.

No assurance can be given that the Company will be able to raise the additional financing should it become necessary to continue its development and production activities or to explore and/or develop its concessions.

Failure to obtain sufficient financing for any projects would result in a delay or indefinite postponement of exploration, development or production on properties covered by the Company's concessions or even the loss of a concession.

Additional sources of funds currently available to the Company are through the sale of product from production activities, the issue of equity capital, debt financing facilities or instruments, the sale of concessions or other assets, royalty interests or the entering into farm-in or joint venture agreements.

In addition, the Company's ability to obtain further financing will depend in part on the price of silver and the industry's perception of its future price and other factors outside the Company's control.

Additional financing might not be available when needed, or if available, the terms of such financing might not be favourable to the Company and could involve substantial dilution to shareholders. In the absence of adequate funding, the Company would not be able to continue as a going concern in which event the carrying value of the Company's projects would be impaired.

Limited operating history

The Company has a limited history of producing revenue and its ultimate success will depend on its ability to generate cash flow from its concessions in the future. The Company has not earned any material profits to date and there is no assurance that it will do so in the future. A major portion of the Company's activities will be directed to the development of the San José vein as well as the search for and the development of new silver deposits. Significant capital investment will be required for completion of the San José Project and the continued exploration at the Company's other exploration concessions. There is no assurance that the Company will be able to raise the required funds to continue these activities.

Mineral resource estimates

The mineral resource figures published by the Company are estimates and no assurances can be given that the indicated levels of minerals will be produced. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes

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available. The Company's mineral resource estimate complies with the requirements of the Canadian NI 43-101 regulations, and the Company considers its mineral resource estimate to be well established, but it should be noted that mineral resource estimates are by their nature, imprecise and depend, to a certain extent, upon statistical inferences, which may ultimately prove unreliable. If such estimates are inaccurate or are reduced in the future, this could have a material adverse impact on the Company.

Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that mineral resources can be upgraded to mineral reserves through continued exploration.

No reserves

The Company does not hold any concessions in respect of which mineral reserves estimates have been established that comply with CIM Standards and Guidelines or other similar recognised industry standards.

Insurance and uninsured risks

The mining industry is subject to significant risks that could result in damage to, or destruction of, mineral properties or producing facilities, personal injury or death, environmental damage, delays in mining or monetary losses and possible legal liability.

The Company's insurance policies might not provide adequate coverage for losses related to these or other risks. The Company's insurance policies do not cover all possible risks that could arise in relation to the Company's exploration activities and production facilities and as a result the Company might incur losses or damages that could have a material and adverse effect on the Company's operations and finances.

In the course of the Company's activities certain risks or unexpected or unusual geological conditions both underground and on surface may occur. It is not always possible to insure against such risks due to the absence of available cover or the Company may decide not to insure due to costs considerations of available cover. As a result the Company could incur losses or damages that could have a material and adverse effect on the Company's operations and finances.

Reliance on contractors in Mexico

The Company relies on contractors to implement the Company's exploration and development programmes as well as its current mining operation at the San José project. The failure of a contractor or key service provider to perform properly its services to the Company could delay or inconvenience the Company's operations, and have a materially adverse effect on the Company.

Key personnel

The Company's business is dependent on retaining the services of a small number of key personnel of the appropriate calibre as the business develops. The Company has entered into employment agreements with certain key managers. The success of the Company is, and will continue to be to a significant extent, dependent on the expertise and experience of the directors and senior management. The loss of one or more of these individuals could have a materially adverse effect on the Company. The Company does not currently have any insurance in place with respect to key personnel.

Environmental factors

The Company's operations are subject to environmental regulation in the jurisdictions in which the Company operates. Such regulation covers a wide variety of matters, including, without limitation, prevention of waste, pollution and protection of the environment, labour regulations and health and safety. The Company might also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances, which might exist on or under any of the properties covered by its concessions, or which might be produced as a result of its operations.

If the Company does not comply with environmental regulations or does not file environmental impact statements in relation to each of its concessions, it might be subject to penalties, its operations might be suspended, closed and/or its concessions may be revoked.

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Environmental legislation and permit requirements are likely to evolve in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors and employees.

Political risk

The Company is conducting its exploration activities in the United Mexican States. The Company may be adversely affected by changes in economic, political, judicial, administrative or other regulatory factors such as taxation in Mexico, where the Company operates and holds its major assets. Mexico may have a more volatile political environment and/or more challenging trading conditions than in some other parts of the world. The directors believe the government of Mexico supports the development of natural resources by foreign operators. There is no assurance that future political and economic conditions in Mexico will not result in the government of Mexico adopting different policies in respect of foreign development and ownership of mineral resources. Any such changes in policy may result in changes in laws affecting ownership of assets, taxation, rates of exchange, environmental protection, labour relations, and repatriation of income and return of capital. These changes may affect both the Company's ability to undertake exploration and development activities in respect of future properties in the manner currently contemplated, as well as its ability to continue to explore and develop those properties, in respect of which it has obtained exploration and development rights to date.

Payment obligations

Under the mineral property concessions and certain other contractual agreements to which a member of the Group is, or may in the future become, a party, any such company is, or may become, subject to payment and other obligations. If such obligations are not complied with when due, in addition to any other remedies which may be available to other parties, this could result in dilution or forfeiture of interests held by such companies. The Company might not have, or be able to obtain, financing for all such obligations as they arise.

Regulatory approvals

The operations of the Company require approvals, licenses and permits from various regulatory authorities, governmental and otherwise. The Board believes that the Company holds or will obtain all necessary approvals, licenses and permits under applicable laws and regulations in respect of its current projects. There can be no guarantee that the Company will be able to obtain or maintain all necessary approvals, licenses and permits that may be required to explore and develop its various projects and/or commence construction or operation of mining facilities that economically justify the cost.

Competition

The Company competes with numerous other companies and individuals in the search for and acquisition of mineral claims, leases and other mineral interests, as well as for the recruitment and retention of qualified employees. There is significant competition for the silver opportunities available and, as a result, the Company may be unable to acquire further silver concessions on terms it considers acceptable.

Conflicts of interest

Certain directors and officers of the Company also serve as directors and/or officers of other companies involved in mineral exploration and development and consequently there is the potential for conflicts of interest. The Company expects that any such director or officer shall disclose such interest in accordance with its articles of association or his contractual obligations to the Company and any decision made by any of such directors and officers involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders.

FORWARD-LOOKING STATEMENTS

Certain information contained herein constitutes forward-looking statements. Forward-looking statements are frequently characterised by words such as “plan”, “expect”, “forecast”, “project”, “intend”, “believe”, “anticipate”, “expect”, “budget”, “scheduled”, “outlook” and other similar words or statements that certain events or conditions “may” or “will” occur.

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Forward-looking statements are based on the opinions and estimates of management at the dates the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements.

These factors include the inherent risks involved in exploration and development, and mining of mineral properties, the uncertainties involved in interpreting drilling results and other geological data, fluctuating metal prices, the possibility of project cost overruns or unanticipated operating costs and expenses, uncertainties related to the necessity of financing, the availability of and costs of financing needed in the future, and other factors described in this document under the heading "Risk Factors and Uncertainties".

The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change, other than as required by securities laws. The reader is cautioned not to place undue reliance on forward-looking statements (including, without limitation, statements relating to the mineral resource estimates, statements regarding the San José Project, the ability of the Company to achieve, maintain and possibly increase planned levels of production, and the ability of the Company to generate positive cash flow from the San José Project, the ability to continue or implement proposed drilling programmes on the San José vein system and the Company's exploration, development and production plans and objectives).

These forward-looking statements reflect the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking statements are subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements, and even if such actual results are realised or substantially realised, there can be no assurance that they will have the expected consequences to, or effects on the Company. Factors that could cause actual results or events to differ materially from current expectations include, among other things, the performance of contractors and plant and equipment, and failure to achieve anticipated production levels and mineral grades for ore from the San José Project, failure to establish estimated mineral reserves, the possibility that future exploration results will not be consistent with the Company's expectations, uncertainties relating to the availability and costs of financing needed in the future, changes in the silver commodity price, changes in equity markets, political developments in Mexico, changes to regulations affecting the Company's activities, delays in obtaining or failures to obtain required regulatory approvals, the uncertainties involved in interpreting exploration results and other geological data, and the other risks involved in the mineral exploration and development industry. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.

Any mineral resource figures disclosed in this MD&A are estimates and no assurances can be given that the indicated levels of minerals will be produced. Such estimates are expressions of judgement based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While the Company believes that the resource estimates included in this MD&A are well established, by their nature resource estimates are imprecise and depend, to a certain extent, upon statistical inferences, which may ultimately prove unreliable. If such estimates are inaccurate or are reduced in the future, this could have a material adverse impact on the Company.

Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that mineral resources can be upgraded to mineral reserves through continued exploration.

AVAILABILITY OF DOCUMENTS ON SEDAR

Additional information relating to the Company may be accessed through SEDAR on the internet at www.sedar.com or the Company's website on www.ariansilver.com.

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DISCLOSURE OF OUTSTANDING SHARE DATA

The following sets out the outstanding securities of the Company as at 30 March 2015:

	Number in issue
Common shares of no par value	33,907,448
Share purchase options	2,056,000

Each share option entitles the holder thereof to purchase one common share of the Company.

The Company has outstanding loan notes representing \$16.5 million, which are convertible at the option of the holder, at any time up to and including 29 October 2017 into fully paid and non-assessable common shares of the Company at a price equal to C\$0.7567 each. As at 30 March 2015, this represented an aggregate of 27,352,153 common shares of the Company.