



ARIAN SILVER CORPORATION

Management's Discussion and Analysis

of the Financial Condition and Results of Operations

**For the Three and Nine Months ended September 30, 2008
(In thousands of U.S. dollars)**

COMPANY INFORMATION

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STOCK EXCHANGES

The 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)

This Management Discussion and Analysis (“MD&A”) has been prepared based on information available to Arian Silver Corporation (“Arian” or the “Company”) as at 27 November 2008 and compares its third quarter and nine months ended September 30, 2008 financial results with the equivalent periods of the previous year. This MD&A should be read in conjunction with the Company’s September 30, 2008 unaudited Consolidated Financial Statements and the related notes. The unaudited Consolidated Financial Statements and the related notes have been prepared in accordance with International Financial Reporting Standards. All dollar amounts referred to in this discussion and analysis are expressed in United States dollars, unless specifically stated otherwise.

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING AND CONTROLS

The unaudited Consolidated Financial Statements of the Company for the three and nine months ended September 30, 2008 and the comparative amounts for 2007 have been prepared by management of the Company (“Management”) in accordance with International Financial Reporting Standards (“IFRS”) and have been approved by the Company’s Board of Directors (the “Board”). The integrity and objectivity of these unaudited Consolidated Financial Statements are the responsibility of Management. In addition, Management is responsible for ensuring that the information contained in this MD&A is consistent, where appropriate, with the information contained in the unaudited Consolidated Financial Statements.

In support of this responsibility, Management maintains a system of internal accounting and administrative controls to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company’s assets are appropriately accounted for and adequately safeguarded. When alternative accounting methods exist, Management has chosen those methods it deems most appropriate in the circumstances. The unaudited Consolidated Financial Statements may contain certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis to ensure that the unaudited Consolidated Financial Statements are presented fairly in all material respects.

The Board is responsible for ensuring that Management fulfils its responsibilities for financial reporting and internal controls. The Board carries out this responsibility principally through its audit committee. The audit committee is appointed by the Board and its members are not involved in the Company’s daily operations. The audit committee meets periodically with Management and the external auditor to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities.

INTRODUCTION

The following discussion is Management’s assessment and analysis of the results and financial condition of the Company and should be read in conjunction with the accompanying unaudited Consolidated Financial Statements for the three and nine months ended September 30, 2008, which are available on SEDAR at www.sedar.com.

The Company is engaged in the acquisition and exploration of mineral resource properties. The Company’s common shares are listed for trading on the AIM Market of the London Stock Exchange, on the TSX Venture Exchange and on the Frankfurt Stock Exchange.

STRATEGY UPDATE

As the Company’s projects are in an exploration phase it is currently reliant on external funding to progress its programmes. Given the current turmoil in financial and securities markets the Board has implemented measures to preserve the cash resources of the Company. To this end planned exploration programmes have been deferred and those in progress largely curtailed; in addition, steps have been taken to reduce overheads generally.

The directors are investigating potential sources of funding, other than through direct equity placements, which may be available so as to enable the Company to continue to build on the

exploration successes achieved to-date and to further the development of the Company and its mineral properties.

OVERALL PERFORMANCE

In the nine months to September 30, 2008, the Company incurred a loss of \$3.3 million (2007 - \$3.7 million) after expensing the fair value of options vesting of \$0.5 million (2007 - \$1.0 million), a foreign exchange charge of \$0.2 million (2007 – crediting a foreign exchange gain of \$0.2 million) and other administrative expenses of \$2.6 million (2007 - \$3.0 million). The foreign exchange adjustments arise on consolidation, largely as a result of the translation of the Mexican subsidiary's financial statements from Mexican Peso to US Dollars. There was no income other than interest from short term cash deposits of \$20,000 (2007 - \$44,000). The Company continued to incur costs in relation to its Mexican operations and in respect of corporate overheads.

In the nine months to September 30, 2008, intangible assets increased by \$3.0 million to \$7.5 million in respect of deferred exploration and evaluation costs related to the Mexican projects.

REVIEW OF OPERATIONS

The Company owns, or has options to purchase, 39 mineral concessions in Mexico totalling 21,691 hectares (Ha). Table 1 below shows the current property portfolio of the Company.

During the period, the Phase-1 drill programmes were completed on both the Tepal and San Jose Projects; drilling at San Jose amounted to 11,722 metres (m) and 7,178m at Tepal. A Phase-2 drill programme was started at San Jose during Q2 and was terminated in Q3 with approximately 6,600m drilled in 38 holes. Assaying of core from the San Jose Phase-2 drilling programme is, however, being continued. In July 2008 the Company announced that a scoping study had been initiated at San Jose. At the Calicanto Project work focussed on general security and fences were erected around all open shafts and mine workings. Work also continued on sampling and mapping to gain a better understanding of the mineral structural controls within the Calicanto Project area.

The Company reported its initial Canadian National Instrument 43-101 (NI 43-101) compliant resource estimates for both San Jose and Tepal during Q1 of 2008. These were prepared by A.C.A. Howe International Limited, independent consultants. On August 21, 2008 the Company announced an updated mineral resource estimate in respect of San Jose (see the Company's press release dated August 21, 2008 entitled "Arian Silver Upgrades San Jose Resource Estimate"), details of which are set out in the property section below. On September 24, 2008 the Company announced an updated mineral resource estimate in respect of Tepal (see the Company's press release dated September 24, 2008 entitled "Arian Silver Upgrades Tepal Resource Estimate"), details of which are set out in the property section below.

During the period, the Company appointed Graham Tye, a Spanish speaking mining engineer with over 25 years of industry experience, as Chief Operating Officer.

TABLE 1
Property Summary

Project Name	No. Concessions	Size (Ha)
San Jose	11	6,279.5
Tepal	6	13,843.2
Calicanto	7	75.5
Others	15	1,492.8

Qualified Person

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 guidelines of the London Stock Exchange, and a "Qualified Person" as such term is defined in NI 43-101 has reviewed and approved the technical information in this document other than the mineral resource estimates.

San Jose Project, Ojocaliente District, Zacatecas State

The Company has an exclusive option over 100% of the San Jose silver-base metal property in Zacatecas State. The property lies 55 kilometres to the South-East of Zacatecas and covers 11 mining concessions totalling approximately 6,300Ha. The property has significant infrastructure, including a 4 x 4 metre ramp, which extends for nearly 3km along the footwall of the San José Vein ("SJV") system, and a 350m deep, 500 tonne per day ("tpd"), vertical shaft with hoist. Assuming the option is exercised in full, the Company will pay to the vendor \$1.5 million in instalments over three years to acquire the property. In addition, the Company will pay a 2% Net Smelter Return ("NSR") with a right of first refusal to buy out the NSR for \$1.5 million at any time during the option period.

The mine was previously operated by Zimapan (Peñoles), (1973-1991), and Desarrollo Monarca, (1993-2001), extracting over 2 million tonnes of ore averaging 250g/t silver.

A Phase-1 drilling programme, which totalled 11,722m, was completed during Q1 of 2008. The drill programme had been designed to confirm the historic drill-hole data and to expand on a number of priority target areas. The drill programme achieved all its goals with 65 of the 70 holes intersecting significant silver and base metal mineralisation. The resource zones appear to be open along strike and down-dip. The Phase-1 drill programme explored, in detail, approximately 2.5km in total of the SJV, which is a relatively small portion of the estimated total strike length within the Company's concessions of over 12km.

In light of the promising results from Phase-1, a Phase-2 drill programme was commenced during Q2 of 2008. This programme was designed to test the SJV strike further to the west and for infill drilling on 50m or less intervals to gain additional information about metal distribution and controls on mineralisation that can be used to upgrade existing resources. Drilling was terminated in Q3 with approximately 6,600m completed in 38 holes. The majority of these drill holes were collared within the already demarcated resource areas with the intention of increasing the resource estimate category. Some of the drill holes were collared to intercept parallel and sub-parallel vein structures of the SJV. Assaying of the core has continued and on November 6, 2008 the Company announced the results from the first 19 drill holes from the Phase-2 drill programme (see the Company's press release dated November 6, 2008 entitled "Arian Silver Reports Phase-2 Assays on Initial 19 Holes at San Jose"). The results continue to confirm the high-grade zones discovered in the Phase-1 drill programme and show that the high-grade zones are even more extensive. In addition, several drill holes intersected newly discovered high-grade silver mineralisation. The latest results included:

- 2m @ 915 g/t Silver (Ag), 0.54% Lead (Pb) and 0.46% Zinc (Zn)
- 3m @ 319 g/t Ag, 0.32% Pb and 0.62% Zn
- 6m @ 223 g/t Ag
- 2.1m @ 775 g/t Ag
- 3.6m @ 253 g/t Ag, 0.58% Pb, 1.07% Zn

Exploration has also included detailed surveying, mapping (both surface and underground) and sampling (both surface and underground) to follow up on a preliminary detailed underground surveying programme which was completed during the reporting period using a remote controlled laser-mounted tracked robot. The surface and underground sampling work has been instrumental in locating and confirming the extent of the main SJV and the mineralisation associated with it. The Company has excavated over 100 trenches on the San Jose property during the reporting period. These trenches have been excavated on the SJV,

other vein systems on the property and within the brecciated stockwork-style mineralisation. The trenches have been mapped, sampled and surveyed.

The in-house scoping study (also referred to as a preliminary assessment) initiated in Q3 will evaluate the economics for contract mining and custom milling of seven near surface resource blocks that have been identified as having potential for near term contract mining. These blocks are both remnant and adjacent stoping blocks within the existing workings of the former producing San Jose Mine. The study is designed to identify key requirements for the partial rehabilitation of underground access, new development, the provision of mine services to the potential exploitation sites, as well as addressing estimated capital and operating costs. Initial studies indicate support for a contract mining operation of up to 500 tpd.

On August 21, 2008 the Company announced an updated NI 43-101 mineral resource estimate for the property (see the Company's press release dated August 21, 2008 entitled "Arian Silver Upgrades San Jose Resource Estimate") details of which are set out below. Compared to the initial mineral resource estimate released in March 2008, the mineral resource estimate has increased as follows:-

- 59% increase in tonnage since March 2008 mineral resource estimate
 - 55% increase in silver to 42.78 M oz
 - 85% increase in lead to 120.4 M lbs
 - 69% increase in zinc to 247.8 M lbs
- 16% of resources placed into the "indicated" category from the previously defined "inferred" mineral resource category

The resource of 11,190,000 tonnes in the inferred mineral resource category, containing 33.76 million (M) ounces (oz) of silver (Ag), 95.7 M pounds (lbs) of lead (Pb) and 205.5 Mlbs of zinc (Zn), has been defined from the Phase-1 drill-holes drilled by Arian from May 2007 to March 2008.

NI 43-101 Resources at San Jose

Resource Category	Tonnes	Grade			Contained Metal		
		Ag	Pb	Zn	Ag	Pb	Zn
		g/t	%	%	(oz)	(t)	(t)
Indicated	2,196,000	127.7	0.51	0.88	9.02	11,200	19,200
Inferred	11,190,000	93.8	0.39	0.83	33.76	43,400	93,200

1. Geological characteristics and +30 ppm grade envelopes used to define resource volumes
2. The mineral resource estimates are in accordance with CIM and JORC standards
3. The effective date of the mineral resource estimates is August 15, 2008
4. The estimates are based on geostatistical data assessment and computerised IDW³, Ag grade wireframe restricted, linear block modelling.

The "Qualified Person" as such term is defined in NI 43-101 who prepared the above mineral resource estimates is Mr. Galen R White. Mr White was at the time these estimates were prepared an employee of A.C.A. Howe International Limited.

The following schedule shows project expenditure:

	3 months ended September 30		9 months ended September 30	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
San Jose				
Mining & option rights	20	2	470	143
Drilling & exploration	182	375	962	566
Geology – logging & sampling	10	27	144	35
Administration	69	36	200	100
Total	281	440	1,776	844

The above expenditure has been capitalised as an intangible asset.

Additional information in respect of the San Jose Project is contained in a technical report prepared by A. C. A. Howe International Limited dated August 15, 2008 and entitled "Resource Estimation Update for the San Jose Silver-Lead-Zinc Deposit, Zacatecas, Mexico". A copy of this report can be obtained at SEDAR at www.sedar.com

Tepal Project; Michoacán State

The Company has an exclusive option over 100% of the Tepal polymetallic porphyry project in Michoacán State, Mexico. The option agreement is for a five-year term. Assuming the option is exercised in full the Company will pay the vendor, Minera Tepal, \$5 million in instalments. In addition, the Company will grant the vendor a NSR of 2.5% with a right of first refusal to buy out the NSR for an unspecified amount.

The Tepal landholding is approximately 14,000Ha covering six exploitation concessions that contain Au-Cu porphyry style mineralisation that have been explored in the past by Inco, Teck and Hecla. Initial investigations by Arian indicated that the Tepal Project consists of four gossanous polymetallic mineral deposits containing copper, gold and silver with potential for additional areas of mineralisation.

A Phase-1 core drill programme was completed during Q2 of 2008 for a total of 7,178.55m in 42 holes of which 30 holes intersected significant gold-copper mineralisation. The drilling confirmed the existence of two significant mineralised porphyry zones (the North and South Zones) and a newly discovered porphyry zone to the east.

On September 24, 2008 the Company announced an updated mineral resource estimate in respect of Tepal (see the Company's press release dated September 24, 2008 entitled "Arian Silver Upgrades Tepal Resource Estimate") details of which are set out below.

The latest resource estimate is 54,964,000 tonnes in the inferred mineral resource category, containing 720,000 ounces (oz) of gold (Au) and 265.4 million pounds (lbs) of copper (Cu), for a gold-equivalent (Au-Eq) of 1,612,000 oz, has been defined from the Phase-1 drill-holes drilled from April 2007 to April 2008. In addition, the resource estimate has upgraded 36% of the previously defined inferred mineral resource to the indicated mineral resource category, and this represents 24,995,000 tonnes, containing 440,000 oz of Au and 147.1 million lbs of Cu, for a Au-Eq of 938,000 oz.

The mineral resources are currently defined to two distinct mineralised porphyry zones, the North and South Zones. The drilling has indicated that these two zones are in part open, in particular the North Zone to the Northwest and the South Zone to the South. There are indications that the mineralisation may also extend further in depth. A third zone of porphyry-style Au-Cu mineralisation has been discovered approximately 1.5 kilometres (km) east of the South Zone, but this zone, due to insufficient data, is not included in the latest resource estimate.

Tepal Mineral Resources

	Tonnes	Grade			Contained Metal		
		Au	Cu	AuEq	Au	Cu	Au Eq
	('000)	g/t	%	g/t	(oz x 000's)	(Mlbs)	(oz x 000's)
Indicated	24,995	0.54	0.27	1.2	440	147.1	938
Inferred	54,964	0.41	0.22	0.9	720	265.4	1,612

1 Au = Gold. Cu = Copper. AuEq = Gold Equivalent

2 Arian Silver has an exclusive option agreement to purchase 100% of the Tepal properties

- 3 Gold Equivalent Grades (g/t) were calculated using metal prices of US\$600/oz Au, US\$2/lb Cu and assuming 100% recoveries
- 4 The mineral resource estimates are in accordance with CIM and JORC standards
- 5 The effective date of the mineral resource estimates is September 24, 2008
- 6 The estimates are based on geostatistical data assessment and computerised IDW³, 0.18 g/t Au grade wireframe envelope restricted, linear block modelling

The “Qualified Person”, as such term is defined in NI 43-101, who prepared the above mineral resource estimates, is Mr. Galen White. Mr. White was at the time these estimates were prepared an employee of A.C.A. Howe International Limited.

During the period under review the Company has also undertaken a preliminary regional exploration programme. A number of gossans have been identified and sampled with encouraging assay results.

The following schedule shows project expenditure:

	3 months ended September 30		9 months ended September 30	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Tepal				
Mining & option rights	10	3	519	256
Drilling & exploration	2	109	468	293
Geology – logging & sampling	13	12	193	13
Administration	24	22	76	60
Total	49	146	1,256	622

The above expenditure has been capitalised as an intangible asset.

Additional information in respect of the Tepal Project is contained in a technical report prepared by A. C. A. Howe International Limited dated September 24, 2008 and entitled “Resource Estimation Update for the Tepal Gold-Copper Prospect, Michoacan, Mexico”. A copy of this report can be obtained from SEDAR at www.sedar.com

Calicanto Project, Zacatecas District, Zacatecas State

The Calicanto Project consists of seven adjacent mining concessions totalling 75.5Ha, namely: Calicanto, Vicochea I, Vicochea II, Misie 1 and Misie 2, and Missie 1 and Missie 2 properties, collectively known as the “Calicanto Group”. The concessions are located in the historic mining district of Zacatecas. The Calicanto Group of concessions comprises at least four main mineralised vein systems.

During the period all major exploration at the Calicanto Group was deferred as drilling focussed on the San Jose and Tepal properties. The Calicanto and San Buenaventura ramps were each extended 10m, and work focussed on improving site safety with fences erected around all open shafts and mine workings. In addition, mapping and sampling continued at the property to allow Arian to further evaluate the potential of the Calicanto Group.

In June 2008 the Company paid the final option instalment of \$184,000 on the Calicanto Group and the relevant title documents have been notarised and registered.

The following schedule shows project expenditure:

	3 months ended September 30		9 months ended September 30	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Calicanto Group: Zacatecas				
Mining & option rights	1	-	211	18
Drilling & exploration	-	9	17	219
Geology – logging & sampling	-	4	8	38
Administration	3	1	13	11
Total	4	14	249	286

The above expenditure has been capitalised as an intangible asset.

Additional information in respect of the Calicanto Project is contained in a technical report prepared by A. C. A. Howe International Limited dated March 20, 2006 and entitled “Technical Report on the Calicanto and San Celso Projects, Zacatecas, Mexico”. A copy of this report can be obtained from SEDAR on www.sedar.com

Exploration and development commitments as at September 30, 2008

The Company does not have any exploration and development expenditure commitments in respect of its projects. However, the following refer to the material payments that will need to be made in order to maintain in good standing the Company’s interests in certain properties:

(a) In relation to the San Jose option agreement the Company is required to pay the vendor \$1.5 million in instalments over the three-year period through to December 2009 and will also grant the vendor a Net Smelter Royalty (“NSR”) of 2%. At September 30, 2008, \$700,000 had been paid and the next material payment of \$255,000 is due in February, 2009.

(b) In relation to the Tepal option agreement the Company is required to pay the vendor \$5 million in instalments over the five-year period through to June 2011 and will also grant the vendor a NSR of 2.5%. At September 30, 2008, \$1,300,000 had been paid and the next payment of \$500,000 is due in June 2009.

The Company has the right to withdraw from the option agreements relating to San Jose and Tepal at any time during the term of each option without financial penalty.

The outstanding expenditures described above are discretionary and not yet committed as they are dependent on timing and availability of funds.

RESULTS OF OPERATIONS

The Company has not generated any operating revenues and losses have continued to be incurred throughout the period.

Three months ended September 30, 2008 compared to three months ended September 30, 2007

The loss for the period was \$1.8 million (2007 - \$1.1 million), consisting of the expensing of the fair value of share options vesting of \$0.4 million (2007 - \$0.2 million), a foreign exchange charge of \$0.6 million (2007 – crediting a foreign exchange gain of \$0.1 million) and other administrative expenses of \$0.8 million (2007 - \$1.1 million). The foreign exchange adjustments arise on consolidation, largely as a result of the translation of the Mexican subsidiary’s financial statements from Mexican Peso to US Dollars. Items of other administrative expenses in the current period which were lower than for the comparative period in 2007 relate to salaries, premises, investor relations, advertising, public relations and audit & accountancy. Consulting fees were higher in the current period compared to the same period in 2007.

Nine months ended September 30, 2008 compared to nine months ended September 30, 2007

The loss for the period was \$3.3 million (2007 - \$3.7 million), consisting of the expensing of the fair value of share options vesting of \$0.5 million (2007 - \$1.0 million), a foreign exchange charge of \$0.2 million (2007 – crediting a foreign exchange gain of \$0.2 million) and other administrative expenses of \$2.6 million (2007 - \$3.0 million). The foreign exchange adjustments arise on consolidation, largely as a result of the translation of the Mexican subsidiary's financial statements from Mexican Peso to US Dollars. Items of other administrative expenses in the current period which were lower than for the comparative period in 2007 relate to salaries, premises, investor relations, audit & accountancy, public relations and advertising. Consulting fees were higher in the current period compared to the same period in 2007.

SUMMARY OF QUARTERLY RESULTS

Unaudited	2008	2008	2008	2007
	3 rd Quarter	2 nd Quarter	1 st Quarter	4 th Quarter
	\$'000	\$'000	\$'000	\$'000
Total Revenues	-	2	18	18
Net loss before exceptional items	1,757	643	921	1,240
Basic and diluted loss per share	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)
Net loss for the period	1,757	641	903	1,178
Basic and diluted loss per share	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)
Total assets	8,829	9,750	7,615	8,436
Shareholders' equity	8,192	9,567	7,249	8,100
Cash dividend declared per share	-	-	-	-

Unaudited	2007	2007	2007	2006
	3 rd Quarter	2 nd Quarter	1 st Quarter	4 th Quarter
	\$'000	\$'000	\$'000	\$'000
Total Revenues	16	10	18	15
Net loss before exceptional items	1,119	1,553	1,043	953
Basic and diluted loss per share	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)
Net loss for the period	1,119	1,553	1,043	953
Basic and diluted loss per share	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)
Total assets	5,937	4,382	4,264	4,802
Shareholders' equity	5,757	3,898	3,909	4,423
Cash dividend declared per share	-	-	-	-

Third quarter 2008 vs. second quarter 2008

Revenues were from bank deposit interest. The net loss in the period was \$1.1 million higher than for the previous quarter. This was largely due to a \$0.9 million foreign exchange difference (Q3 foreign exchange charge of \$0.6 million compared to a foreign exchange credit of \$0.3 million in Q2) and \$0.2 million for expensing the fair value of share options vesting (Q3 expense of \$0.3 million compared to an expense of \$0.1 million in Q2). Cash decreased by £0.7 million to £0.2 million and intangible assets increased by \$0.3 million in respect of exploration work undertaken in Mexico. The decrease in shareholders' equity is largely attributable to the loss incurred for the period.

Second quarter 2008 vs. first quarter 2008

Revenues were from bank deposit interest. The net loss in the period was lower than for the previous quarter largely due to a reduction in the corporate overheads. Cash increased by \$50k to \$900k as a result of the Cdn\$3 million share placement that was completed in the second quarter. Intangible assets increased by \$1.8m due to continued expenditure on

exploration work undertaken in Mexico which expenditure included approximately \$1.1m in property option payments. The increase in shareholders' equity is largely attributable to the increased share capital as a result of the share placement referred to above.

First quarter 2008 vs. fourth quarter 2007

Revenues were from bank deposit interest. The net loss in the period was lower than for the previous quarter largely due to lower corporate overheads. Cash decreased by \$2.3 million and intangible assets increased by \$1.3 million due to expenditure in exploration work undertaken in Mexico. The decrease in shareholders' equity was largely attributable to the loss incurred for the period.

Fourth quarter 2007 vs. third quarter 2007

Revenues were from bank deposit interest. The net loss in the period is broadly similar to the previous quarter and results from incurring costs related to corporate overheads and administration of the Company's projects in Mexico. Intangible assets, representing the cost of exploration in Mexico increased by \$1.2 million compared to \$0.7 million in the third quarter and \$1 million in the second quarter. Shareholders' equity increased by \$2.3 million in the fourth quarter due to share issues from warrant exercises offset by project and administration expenditure.

Third quarter 2007 vs. second quarter 2007

Revenues were from bank deposit interest. The net loss for the period fell by \$0.4 million over the previous quarter mainly due to a reduction in the cost of expensing the fair value of share options of \$0.6 million, offset by higher administrative costs. Intangible assets, representing the cost of exploration in Mexico, increased by \$0.7 million in the period due to the extensive drilling programmes, compared to expenditure of \$1 million in the second quarter. Shareholders' equity increased in the third quarter by \$1.9 million in relation to shares issued from a private placement and warrant and option exercises of approximately \$3 million, offset by the loss incurred in the period.

Second quarter 2007 vs. first quarter 2007

Revenues were from bank deposit interest. The net loss for the period increased by \$0.5 million compared to that incurred in the previous quarter due to an increase in the expensing of the fair value of share options by \$0.7 million, compared to \$0.1 million in the first quarter; otherwise, administrative costs were similar. There was a significant increase in intangible assets in the quarter by \$1 million due to the extensive drilling programmes, compared to a spend of \$0.3 million in the first quarter. Shareholders' equity was unchanged compared to the previous quarter as the issue of new shares in the period of \$0.8 million was offset by administrative expenditure and the write off of the fair value of share options.

First quarter 2007 vs. fourth quarter 2006

Revenues were from bank deposit interest. The net loss in the period is broadly similar to the previous quarter and results from incurring costs related to corporate overheads and administration of the Company's projects in Mexico. The cost of the fair value of share options vesting in the period of \$0.1 million in the quarter is \$0.06 million higher than the charge in the previous quarter. Intangible assets increased by \$0.4 million due to expenditure in respect of drilling programmes and other exploration work undertaken in Mexico. Shareholders' equity decreased following the placement of \$0.5 million of new common shares, offset by project expenditure and administration costs.

LIQUIDITY AND CAPITAL RESOURCES

In management's view, the most meaningful information concerning the Company relates to its current liquidity and solvency since it is not currently generating any income from its mineral projects.

The Company will require additional funding in the future in order to progress exploration programmes on its mineral projects, to meet property option payments, for development and for general working capital requirements. Sources of funds currently available to the Company

are through the issue of equity capital, the sale of its interests in one or more of its projects, by way of project joint ventures or business combinations.

The Company has accumulated IVA (sales tax) which amounted to \$997,000 at September 30, 2008. This relates to past exploration expenditures and is now being repaid in instalments by the Mexican tax authorities. Any delay in future repayments of this IVA debtor will have an impact on the timing of further funding required for the Company and could bring forward a funding requirement into Q1 of 2009. The directors are currently investigating funding options, other than through direct equity placements, which may be available to the Company in the future.

Since the Company is at an early stage of development, it has in the past raised funds in several discrete tranches, which is a common practice for junior mineral exploration companies. Although the Company has been successful in the past in raising equity finance, there can be no assurance that the funding required by the Company will be made available to it when needed or, if such funding were to be available, that it would be offered on reasonable terms. The terms of such financing might not be favourable to the Company and might involve substantial dilution to existing shareholders.

The directors of the Company currently believe it appropriate to prepare the Company's financial statements on a going concern basis. However, if the Company is unable to raise sufficient financing in the future, it may not be able to meet its ongoing working-capital and other expenditure requirements. If these circumstances arose this would cast significant doubt on the Company's ability to continue as a going concern.

See ***Risks and Uncertainties*** below as well as ***Risks and Uncertainties – Requirement of Additional Financing*** in the Company's 2007 Annual MD&A for details of additional risks associated with future funding of the Company.

Working Capital

As at September 30, 2008, the Company had working capital of approximately \$0.5 million (December 31, 2007: \$3.5 million). As detailed in ***Overview of Operations – Exploration and development commitments as at September 30, 2008*** the Company will need to make some material payments in order to maintain in good standing its interests in certain properties. The next such payment amounting to \$255,000 falls due in February 2009.

The decrease in working capital during the period is the result of project and administrative expenditure.

The most significant asset at September 30, 2008 was intangible assets of \$7.5 million (December 31, 2007: \$4.4 million). In addition, there were tangible assets of \$0.2 million (December 31, 2007: \$0.2 million) and receivables were \$1.0 million (December 31, 2007: \$0.7 million). Cash was \$0.2 million (December 31, 2007: \$3.1 million). Payables were \$0.6 million (December 31, 2007: \$0.3 million).

In May 2008 the Company raised approximately Cdn\$3 million by way of a private placement of approximately 12 million units (each a "Unit") at Cdn\$0.25 per Unit. Each Unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to acquire one common share of the Company at an exercise price of Cdn\$0.35 share for a period of 18 months from the closing date of the placement. The warrants are also subject to an accelerated exercise provision.

In October 2008 the Company raised Cdn\$1.75 million by way of a private placement of 17.5 million common shares at Cdn\$0.10 per share.

Off-balance sheet arrangements

The Company has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

During the nine months ended September 30, 2008 and 2007, the Company entered into the following transactions involving related parties:

Companies in the Dragon Group charged the Company a total of \$481,632 (2007- \$697,159) in respect of the provision of staff, office facilities, general office overheads and re-charged costs incurred on behalf of the Company. Tony Williams, Chairman and a director of the Company, beneficially owns the Dragon Group.

Kopane Diamond Developments PLC ("KDD") charged the Company a total of \$23,064 (2007- \$74,681) in respect of a recharge of certain directors' remuneration paid on behalf of the Company. The Company charged KDD \$18,091 (2007 – nil) for the provision of accounting services. James Cable and Tony Williams are both Directors of the Company and KDD.

These transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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.

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 depleted on a unit of production basis, 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 are charged to the income statement.

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. No writedowns were recorded in the financial statements for the period. A writedown would be recorded as an expense to the Company's income statement.

Share based payments

The share option programme allows Company employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding

increase in equity. The fair value is measured at the grant date and spread over the period until the options vest unconditionally to the employee. The fair value of the options granted is measured using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. Critical estimates in determining fair value include expected price volatility of the shares and option lives.

RISKS AND UNCERTAINTIES

The operations of the Company are speculative due to the high-risk nature of its business, which is the acquisition, financing, exploration and development of mining properties. The risks below are not the only ones facing the Company. Additional risks not currently known to the Company, or that the Company currently deems trivial, may also impair the Company's operations. If any of the following risks actually incur, the Company's business, financial condition and operating results could be adversely affected.

No assurance can be given that additional capital will be available at all or available on terms acceptable to the Company

The Company will require additional financing for working capital and for any future exploration of its projects. Failure to obtain such financing may result in a suspension of, or delay or reduction in, the exploration and development of the Company's projects and/or even a loss of one or more property interests. The only sources of funds currently available to the Company are through the issue of equity capital, the sale of its interests in one or more of its projects, or by way of joint ventures or business combinations.

There can be no assurance that the funding required by the Company will be made available to it when needed or, if such funding were to be available, that it would be offered on reasonable terms. The terms of such financing might not be favourable to the Company and might involve substantial dilution to existing shareholders. If the Company is unable to raise such financing, it may not be able to meet its ongoing working-capital and other capital and/or exploration expenditure commitments, which may have a material adverse effect on the Company.

Risk factors, including those regarding resources, reserves, production, requirement of additional financing and currency risks have been detailed in the Company's 2007 Annual MD&A. Such risks have not changed during the reporting period of 2008.

The Company is subject to a number of risk factors due to the nature of the mining business in which it is engaged, not least adverse are movements in commodity prices, which are impossible to forecast. The Company seeks to counter this risk, as far as possible, by selecting exploration areas on the basis of their recognised geological potential to host economic deposits.

Forward Looking Statements

This MD&A contains certain "forward-looking statements". All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, the mineral resource estimates contained in this MD&A, statements regarding exploration results, potential mineralisation, potential mineral resources, future production and the Company's exploration and development plans and objectives) are forward-looking statements. 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, 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 commodity prices, 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.

The 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 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 available. While the Company believes that the resource estimates included in this press release 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 by definition do not have proven economic viability. There is no certainty that mineral resources can be upgraded to mineral reserves through continued exploration.

OTHER INFORMATION

Additional Information

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.

Disclosure of Outstanding Share Data

The following table sets forth information concerning the outstanding securities of the Company as at November 26, 2008:

	Number in issue
Common shares of no par value	149,051,969
Share options	12,140,000
Share purchase warrants	8,773,250

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