



ARIAN SILVER CORPORATION

**Management's Discussion and Analysis
of the Financial Condition and Results of Operations**

**For the Financial Year ended 31 December, 2009
(In thousands of U.S. dollars)**

COMPANY INFORMATION

DIRECTORS

Anthony (Tony) J. Williams, *Chairman and Director*
James (Jim) T. Williams, *Chief Executive Officer and Director*
Thomas A. Bailey, Director
James S. Cable, Director
James A. Crombie, Director

COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER

Graham A. Potts

HEAD OFFICE

Carlyle House
235-237 Vauxhall Bridge Road
London, SW1V 1EJ
United Kingdom
Tel: +44 (0)20 7963 8670
Fax: +44 (0)20 7963 8674

REGISTERED OFFICE

Palm Grove House
P.O. Box 3190
Road Town, Tortola
British Virgin Islands

NOMINATED ADVISER

Grant Thornton UK LLP
30 Finsbury Square
London, EC2P 2YU

BROKER

Haywood Securities (UK) Ltd
Ryder Court
14 Ryder Street
London, SW1Y 6QB

AUDITORS

PKF (UK) LLP
Farringdon Place
20 Farringdon Road
London, EC1M 3AP

REGISTRAR

Computershare Investor Services
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 – Management’s Discussion and Analysis

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 29 April 2010 and compares its 2009 financial results with the previous year. This MD&A should be read in conjunction with the Company’s audited Consolidated Financial Statements and the related notes. The audited 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 audited Consolidated Financial Statements of the Company for the financial year ended 31 December, 2009 and the comparative amounts for 2008 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 audited 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 audited 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 audited 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 audited 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 and to review the audited Consolidated Financial Statements with the external auditors.

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 audited Consolidated Financial Statements for the financial year ended 31 December, 2009 which are also available on SEDAR at www.sedar.com or on the Company’s website at www.ariansilver.com

The Company is engaged in the acquisition and exploration of mineral resource properties in Mexico.

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.

Arian Silver Corporation – Management’s Discussion and Analysis

OVERVIEW

Financial

During 2009 the Company continued to operate under tight cost controls in order to preserve cash resources whilst efforts continued to seek opportunities to raise new funding.

In March and April 2009 the Company completed two share exchange transactions with Grafton Resource Investments Ltd. (“Grafton”), pursuant to which the Company issued to Grafton a total of 109,090,909 common shares and Grafton issued to the Company a total of 128,591 participating shares (the “Grafton Shares”) (the “Share Exchange”). It was intended that the Grafton Shares would be sold to raise capital for the Company. However, the proposed sale of the Grafton Shares experienced significant delays and in December 2009 it was announced that Arian proposed to effect a reversal of the Share Exchange, which was completed in January 2010.

During 2009 the Company’s operations were largely funded by way of loans from Grafton totalling \$1,050,000. These loans were discharged in January 2010 by way of an issue of common shares of the Company and a cash repayment.

In March 2009 the Company renegotiated the terms of the option agreement in respect of the San José Project and, following an instalment payment of \$250,000, acquired a direct 66.67% ownership interest in the mineral concessions. In January 2010 the final instalment of \$500,000 was paid giving the Company 100% ownership of the mineral concessions.

In respect of the Tepal property the payment of an option instalment was renegotiated in June 2009 whereby \$450,000 of the \$500,000 instalment due that month was deferred to September 2009. In September 2009 the Company entered into an option transaction with Geologix Explorations Inc (“Geologix”) in respect of the Tepal property. As part of this transaction Geologix advanced to the Company \$517,500 to meet an option payment due on Tepal property. In Q1 of 2010 Geologix exercised its option right and made a first instalment payment to the Company of \$1.45 million which was settled in cash and Geologix shares. The Company subsequently repaid the \$517,500 advance to Geologix.

In January 2010 the Company completed a private placement of common shares and share purchase warrants which raised approximately Cdn\$3.5 million.

Operations

In view of the limited available cash resources there was no material operational activity by the Company on its mineral properties during 2009.

In June 2009 a Preliminary Economic Assessment Report (“PEAR”) for the San José Project, undertaken by A.C.A. Howe International Limited (“ACA Howe”), was completed that confirmed the positive economics of a proposed initial contract mining and toll milling operation at the San José Project. Plans to bring the Project into production in Q4 of 2009 were necessarily deferred, due to lack of funding.

In April 2010 the Company released a further batch of drillhole assay results from the Phase-2 drill programme that was completed in 2008 at the San José Project (see the Company’s press release dated 21 April 2010 entitled “Arian Silver Reports on Progress at San José”).

The Company anticipates that the initial 500 tonnes per day (“tpd”) contract mining and toll milling operation at the San José Project will commence during Q2 of 2010 and that it will generate positive cash flows during the second half of 2010.

Arian’s past drill programmes along the San José Vein (“SJV”) have so far only delineated some 10% of the known strike length of the SJV and Arian’s management considers the upside for material additional resources along the SJV to be significant. A new drill programme will proceed

Arian Silver Corporation – Management’s Discussion and Analysis

in due course, largely financed by revenue generated from the planned contract mining operation at the San José Project. Its objective will be to further define areas of high-grade mineralization by infill drilling and to continue the exploration of the SJV along its extensive westerly strike direction.

REVIEW OF FINANCIAL PERFORMANCE

In the financial year ended 31 December 2009, the Company incurred a pre-tax loss of \$2.1 million (2008 - \$3.7 million) which includes expensing the fair value of options vesting of \$0.4 million (2008 - \$0.5 million), and other administrative expenses, that were halved in 2009, of \$1.7 million (2008 - \$3.2 million). The Company does not yet generate any income from its operations. Interest income from cash resources was \$nil (2008 - \$31,000). During the year the Company continued to reduce costs in relation to its Mexican operations and corporate overheads where possible in order to preserve cash resources.

As at 31 December 2009 the Company had working capital of approximately \$4.0 million (31 December 2008 - \$1.1 million) which includes the Grafton Shares held as an available for sale asset valued at \$5.6 million (31 December, 2008 - \$nil). Cash balances amounted to approximately \$0.1 million (31 December 2008 - \$0.8 million) and short term loans totalled \$1.6 million (31 December 2008 - \$nil) consisting of the advances of \$1.1 million from Grafton and \$0.5 million from Geologix. Intangible assets amounted to \$7.7 million (31 December 2008 - \$6.0 million) which relate to deferred exploration and evaluation costs in respect of the Company’s Mexican projects.

Since year-end, the Grafton Shares were redeemed as part of the Share Exchange reversal executed in January 2010.

SELECTED ANNUAL INFORMATION

	2009	2008	2007
	\$'000	\$'000	\$'000
Total Revenues	-	31	62
Net loss before exceptional items	2,068	3,720	4,955
Basic and diluted loss per share	\$(0.01)	\$(0.03)	\$(0.05)
Net loss for the period	1,872	3,689	4,893
Basic and diluted loss per share	\$(0.01)	\$(0.03)	\$(0.05)
Total assets	13,876	7,551	8,436
Shareholders’ equity	11,743	7,296	8,100
Cash dividend declared per share	-	-	-

Total revenues relate to bank deposit interest. Over the last three years this amount has varied in line with the cash balances held by the Company and deposit interest rates.

The net loss before exceptional items decreased from \$5.0 million to \$3.7 million from 2007 to 2008 mainly due to a significant reduction in most areas of administrative expenses, particularly in the second half of 2008. The net loss before exceptional items decreased from \$3.7 million in 2008 to \$2.1 million in 2009 mainly due to the full affect of overhead reductions implemented in the second half of 2008 as well as further reduction achieved in 2009 in most areas of administrative expenses.

The growth in total assets over the past three years, after adjusting for foreign exchange, is mainly due to investment in the exploration projects in Mexico funded by equity issues by the Company and loans and, for 2009, the holding of the Grafton Shares arising from the Share Exchange. Total assets reduced by \$0.8 million from \$8.4 million in 2007 to \$7.6 million in 2008.

Arian Silver Corporation – Management’s Discussion and Analysis

This was mainly due to a reduction in cash of \$2.4 million, offset by investment in exploration projects of \$2.5 million and a foreign exchange adjustment of \$1.0 million on total assets. Total assets increased by \$6.3 million, from \$7.6 million in 2008 to \$13.9 million in 2009, of which \$5.6million relates to the Grafton Shares, which are classified as an available for sale asset and \$1.7 million relates to further investment in exploration projects in Mexico. These increases were offset by a \$0.7 million reduction in cash and a \$0.3 million reduction in receivables relating to the reimbursement of IVA (sales tax) by the Mexican authorities.

Shareholders’ equity decreased by \$0.8 million, from \$8.1 million in 2007 to \$7.3 million in 2008. This decrease reflects a \$3.4 million increase in share capital and a \$0.5 million increase in the share based payment reserve, relating to the issue of stock options, offset by a charge of \$1.0 million to foreign exchange reserve and a \$3.7 million loss for year. Shareholder’s equity increased by \$4.4 million, from \$7.3 million in 2008 to \$11.7million in 2009. This increase comprises a \$4.9 million increase in share capital, relating to the Share Exchange, a \$0.4 million increase in the share based payment reserve, in respect of stock options, and increases of \$0.5 million to the foreign exchange reserve and of \$0.5 million to the available for sale reserve. These increases were offset by a \$1.9 million loss for the year.

REVIEW OF OPERATIONS

The Company currently owns, or has rights or options to purchase, 33 mineral concessions in Mexico totalling 7,847.8 hectares (“Ha”) as set out in the Property Summary below. The Property Summary excludes the six mineral concessions, totalling 13,843.2 Ha, relating to the Tepal project as they are now under option to Geologix.

Property Summary

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

During the period under review exploration operations in respect of the Company’s projects in Mexico were largely deferred in order to preserve the Company’s cash resources pending receipt of new funding.

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 Canadian National Instrument 43-101 (“NI 43-101”), has reviewed and approved the technical information in this Review of Operations other than the mineral resource estimates referred to below.

San José Project, Zacatecas State

Following the renegotiation of the original option agreement in March 2009 with the vendor and a \$250,000 instalment payment, Arian acquired a direct 66.67% controlling interest in the San José Project mineral concessions. In January 2010 Arian paid the final instalment of \$500,000 to increase its ownership interest in the San José Project mineral concessions to 100%, subject only to completion of certain legal and registration formalities in Mexico. The concessions are subject to a 2% net smelter return (“NSR”) payable to the vendor.

The San José 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 SJV system, and a 350m deep, 500 tonne per day, vertical shaft with hoist.

Arian Silver Corporation – Management’s Discussion and Analysis

In June 2009 the PEAR for the San José Project, undertaken by ACA Howe, was completed (see the Company’s press release dated 23 June 2009 entitled “Arian Silver Releases Independent Preliminary Economic Assessment Report”). The PEAR reviewed the economics of entering into contract mining and toll milling on three silver blocks with lead and zinc credits over a four-year life of mine and concluded that Arian’s proposed mining plan was achievable and realistic. The limiting of the PEAR to just three mining blocks over a four-year mine life was stipulated by the Company with the intention to develop the property concurrently and complete a full feasibility study to move into full scale independent commercial production.

A copy of the PEAR dated 22 June, 2009 and entitled “Preliminary Economic Assessment Report (PEAR) on the San José Silver-Lead-Zinc Deposit, Zacatecas, Mexico” is available on the Company’s website www.ariansilver.com or on SEDAR at www.sedar.com

Due to the delay in obtaining new funding, the original Q4 of 2009 target for bringing the San José Project into initial contract mining and milling production, was deferred. The private placement equity financing that was completed in January 2010 raised approximately Cdn\$3.5 million for funding San José as well as the Company’s overheads.

The Company anticipates the initial 500 tpd contract mining and toll milling operation to commence during Q2 of 2010 and will generate positive cash flows during the second half of 2010. Terms for the mining contract have been agreed to with the local Mexican contractor. Final bulk metallurgical testwork is in progress with the proposed custom mill operator. The preliminary stage of the metallurgical programme entailed the collection of 304 samples weighing a total of 69 kilograms (kg). The test results have been positive returning average head-grade assays of 276 g/t Ag, 1.13% Pb and 2% Zn. Completion of the remaining metallurgical testwork is expected during early May when it is anticipated that the milling contract negotiations will be finalised. In preparation for production at the San José mine site a new access road has been completed and mine buildings have been refurbished to accommodate additional offices and to house the mining personnel.

In April 2010 a further batch of Phase-2 drillhole assays were reported, including:

- 2.35m @ 834 g/t Ag, 0.36% Pb and 0.67% Zn
- 3.05m @ 602 g/t Ag, 0.17% Pb and 0.54% Zn
- 2.00m @ 822 g/t Ag, 0.76% Pb and 0.91% Zn
- 1.95m @ 379 g/t Ag, 0.08% Pb and 0.32% Zn

These latest results comprised 13 drillhole intercepts from the Phase-2 drill programme along the SJV, which complement the initial 19 Phase-2 drillhole intercepts reported previously (see the Company’s press release dated 21 April 2010 entitled “Arian Silver Reports on Progress at San José”).

The Phase-2 drill programme, which was completed during Q3 of 2008, drilled approximately 6,600 metres (m) in 38 holes. This programme was designed to explore for the continuation of known silver-bearing mineralization identified from Arian’s previous exploration programmes and to test for new areas of mineralization. Several holes were drilled within and beyond the previously reported Phase-1 and Phase-2 holes.

Arian’s past drill programmes along the SJV have, so far, only delineated some 10% of the known strike length of the SJV, outlining a current total estimated NI 43-101 resource set out below. Arian’s management considers the upside for material additional resources along the remaining 90% SJV strike length to be significant.

It is planned to commence a new drill programme in due course, largely financed by revenue generated from the proposed contract mining operation, with the objective to further define areas of high-grade mineralization by infill drilling and to continue the exploration of the SJV along its extensive westerly strike direction.

Arian Silver Corporation – Management’s Discussion and Analysis

The current NI 43-101 Resources at San José are as follows:

Resource Category	Tonnes	Grade			Contained Metal		
		Ag	Pb	Zn	Ag	Pb	Zn
		g/t	%	%	(Moz)	(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 15 August, 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 ACA Howe.

Additional information in respect of the San José Project is contained in a technical report (the “Technical Report”) prepared by ACA Howe dated 15 August, 2008 and entitled “Resource Estimation Update for the San José Silver-Lead-Zinc Deposit, Zacatecas, Mexico”. A copy of this report is available on the Company’s website www.ariansilver.com or on SEDAR at www.sedar.com

The following schedule shows project expenditure during the past two years:

	Year ended 31 December	
	2009 \$’000	2008 \$’000
San José		
Mining & option rights	275	470
Drilling & exploration	2	982
Geology – logging & sampling	21	156
Administration	80	252
Total	378	1,860

The above expenditure has been capitalised as an intangible asset.

Calicanto Project, Zacatecas State

Arian owns 100% of the Calicanto Project which 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 2009 there was no material operational activity in relation to this project.

Arian Silver Corporation – Management’s Discussion and Analysis

The following schedule shows project expenditure during the past two years:

	year ended	
	31 December	
Calicanto Group: Zacatecas	2009	2008
	\$'000	\$'000
Mining & option rights	1	211
Drilling & exploration	1	17
Geology – logging & sampling	3	8
Administration	11	13
Total	16	249

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 ACA Howe dated 20 March, 2006 and entitled “Technical Report on the Calicanto and San Celso Projects, Zacatecas, Mexico”. A copy of this report is available on the Company’s website www.ariansilver.com or on SEDAR at www.sedar.com

Tepal Project, Michoacán State

The Tepal Project is a polymetallic porphyry project in Michoacán State, Mexico. 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.

Due to cash constraints, in June 2009 the Company renegotiated the terms of an option instalment payable under the property option agreement with the vendor, Minera Tepal, (the “Underlying Option Agreement”) in order to avoid a default and forfeiture of its interest in the Tepal property. Agreement was reached whereby \$450,000 of the \$500,000 option instalment due that month was deferred to September 2009. The balance of \$50,000 was paid in July 2009.

In September 2009, the Company entered into an agreement with Geologix whereby Geologix was granted an exclusive right to purchase Arian’s 100% option interest in the Tepal property. Pursuant to the terms of the agreement, Geologix advanced to Arian the sum of US\$517,500 (the “Geologix Loan”) which was used by Arian to complete the deferred outstanding property option payment due to the vendor (\$450,000 plus the applicable IVA of \$67,500) and thus preserve its interest in the Tepal property. The Geologix Loan was made as an unsecured, interest free loan that would become due for repayment on 23 April, 2010 unless Geologix elected to exercise its right to acquire the Tepal property.

In consideration for the Geologix Loan, Arian granted Geologix a five month exclusivity period to enable Geologix to undertake due diligence of the Tepal property. In the event that Geologix exercised its right, the property would be acquired from Arian on an option basis for a total consideration of \$3 million, payable in two instalments:

- an initial payment of \$1.0 million, plus forgiveness of the property option payment of \$450,000, for a total of \$1.45 million on or before 23 February, 2010 (the “Tepal Initial Instalment”); and
- a payment of \$1.55 million on or before 23 February, 2011(the “Tepal Final Instalment”).

At Geologix’s election, each such instalment may be made in cash, or up to 50% in Geologix’s shares valued at the 10-day average closing price immediately prior to the time of each payment.

Arian Silver Corporation – Management’s Discussion and Analysis

In the event that Geologix decided not to elect to acquire the property, the agreement contained provisions covering the repayment of the Geologix Loan or, in the event that it could not be repaid in cash by Arian, its conversion into a joint venture interest in the Tepal property or a share interest in Arian.

In January 2010 Geologix exercised its right to acquire the Tepal property and entered into a definitive option agreement (the “Option Agreement”) with Arian. Pursuant to the terms of the Option Agreement Geologix is responsible for the balance of Arian’s obligations under the terms of the Underlying Option Agreement and, amongst other things, will be responsible for completing the remaining option payments totalling \$3.2 million to the vendor of the property through to June 2011. Geologix may at any time terminate the option prior to the expiry date of 23 February 2011 by giving notice to Arian in which event it shall only be liable to pay the amounts due up to the date of termination. In the event of such termination, Geologix shall be responsible for returning the Tepal property to Arian in good standing.

In Q1 of 2010 Geologix settled the Tepal Initial Instalment by way of cash and Geologix shares and Arian repaid the Geologix Loan (see **Liquidity, Capital Resources and Going Concern**).

During 2009 there was no material operational activity by the Company in relation to this project.

The following schedule shows project expenditure during the past two years:

	Year ended 31 December	
	2009 \$’000	2008 \$’000
Tepal		
Mining & option rights	512	519
Drilling & exploration	-	467
Geology – logging & sampling	9	207
Administration	2	74
Total	523	1,267

The above expenditure has been capitalised as an intangible asset.

Exploration and development commitments

The Company does not have any exploration and development expenditure commitments in respect of its projects.

RESULTS OF OPERATIONS

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

Financial year ended 31 December, 2009 compared to financial year ended 31 December, 2008

The pre-tax loss for the year was \$2.1 million (2008 - \$3.7 million). This loss includes the expensing of the fair value of share options vesting of \$0.4 million (2008 - \$0.5 million) and other administrative expenses of \$1.7 million (2008 - \$3.2 million). Expenditure in the year has significantly reduced compared to last year. Reductions have been achieved in almost all areas of administrative expense, including salaries and associated overheads, travel and entertainment, investor relations, consultancy fees and advertising.

Arian Silver Corporation – Management’s Discussion and Analysis

SUMMARY OF QUARTERLY RESULTS

Unaudited	2009	2009	2009	2009
	4 th Quarter	3 rd Quarter	2 nd Quarter	1 st Quarter
	\$'000	\$'000	\$'000	\$'000
Total Revenues	-	-	-	-
Net loss before exceptional items	552	588	446	482
Basic and diluted loss per share	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)
Net loss for the period	356	588	439	481
Basic and diluted loss per share	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)
Total assets	13,876	14,042	12,993	8,198
Shareholders' equity	11,743	11,643	12,045	7,631
Cash dividend declared per share	-	-	-	-
Unaudited	2008	2008	2008	2008
	4 th Quarter	3 rd Quarter	2 nd Quarter	1 st Quarter
	\$'000	\$'000	\$'000	\$'000
Total Revenues	11	-	2	18
Net loss before exceptional items	399	1,757	643	921
Basic and diluted loss per share	\$(0.00)	\$(0.01)	\$(0.01)	\$(0.01)
Net loss for the period	388	1,757	641	903
Basic and diluted loss per share	\$(0.02)	\$(0.01)	\$(0.01)	\$(0.01)
Total assets	7,751	8,829	9,750	7,615
Shareholders' equity	7,296	8,192	9,567	7,249
Cash dividend declared per share	-	-	-	-

Fourth quarter 2009 vs. third quarter 2009

The net loss in the period was \$0.2 million lower than the previous quarter largely due to a tax adjustment relating to the available for sale asset. Cash decreased by \$0.7 million to \$0.1 million mainly due to the Tepal property payment of \$0.5 million. Intangible assets increased by \$0.4 million, of which \$0.3 million related to exchange rate fluctuations. The decrease in shareholders' equity is largely attributable to the loss incurred in the period.

Third quarter 2009 vs. second quarter 2009

The net loss in the period was \$0.2 million higher than the previous quarter largely due to \$0.3 million expensing of the fair value of options offset by \$0.1 million writeback of the fair value of lapsed options in the period. Cash increased by \$0.6 million to \$0.8 million mainly due to the Geologix Loan of \$0.5 million. Intangible assets increased by \$0.4 million mainly due to an accrual made for the Tepal property option payment of \$0.5 million. The decrease in shareholders' equity is largely attributable to the loss incurred in the period.

Second quarter 2009 vs. first quarter 2009

The net loss in the period was \$0.1 million lower than the previous quarter largely due to a reduction in legal fees which in the first quarter were higher due to the Grafton share exchange transaction. Cash remained at \$0.2 million. Intangible assets increased by \$0.7 million, with \$0.5 million of this increase a result of exchange rate fluctuations. The increase in shareholders' equity is largely attributable to the increased share capital as a result of completion of the second part of the share exchange transaction with Grafton that took place in the period.

Arian Silver Corporation – Management’s Discussion and Analysis

First quarter 2009 vs. fourth quarter 2008

Revenues were from bank deposit interest. The net loss in the period was \$0.1 million higher than for the previous quarter due to increased legal fees in respect of the Grafton transaction. Cash decreased by \$0.6 million to \$0.2 million and intangible assets increased by \$0.2 million mainly due to a property payment made on the San José property. The increase in shareholders’ equity is largely attributable to the increased share capital as a result of the share exchange transaction with Grafton that took place in the period.

Fourth quarter 2008 vs. third quarter 2008

Revenues were from bank deposit interest. The net loss in the period was \$1.4 million lower than for the previous quarter due to a reversal of a \$0.6 million foreign exchange charge and a \$0.2 million reduction in expenditure due to a reduction in corporate overheads. Cash increased by £0.6 million to £0.8 million and intangible assets decreased by \$1.4 million. This reduction is due to \$1.6 million foreign exchange adjustment and a change of \$0.1 million in respect of exploration expenses, offset by \$0.3 million incurred in respect of exploration work undertaken in Mexico. The decrease in shareholders’ equity is largely attributable to the loss incurred for the period.

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.

LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN

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.

During 2009, the Company made the following share and warrant issues:

- In relation to the Share Exchange (i) in February, 2009 the Company issued 26,097,230 common shares to Grafton at Cdn\$0.055 per share (equating to approximately Cdn\$1,435,347) in exchange for the issue to the Company of 26,322 participating shares of Grafton (equating to approximately Cdn\$1,435,347 determined by reference to the net asset value per Grafton participating share of \$43.98 as at the close of business on 30 January, 2009) and (ii) in April, 2009 the Company issued a further 82,993,679 common shares to Grafton at Cdn\$0.055 per share (equating to approximately Cdn\$4,564,653) in exchange for the issue to the Company of 102,269 participating shares of Grafton (equating to approximately Cdn\$4,564,653 determined by reference to the net asset value per Grafton participating share of \$36.93 as at the close of business on 31 March, 2009). As a result of the Share Exchange, Grafton held an aggregate of 109,090,909 common shares of Arian (the “Arian Shares”) and the Company held an aggregate of

Arian Silver Corporation – Management’s Discussion and Analysis

128,591 participating shares of Grafton (the “Grafton Shares”). It was intended that Grafton and its associates would place the Grafton Shares for cash on behalf of the Company to provide new funding for the Company. However, the disposal of the Grafton Shares experienced delays and was reversed as discussed below.

- In April, 2009 warrant holders approved proposals to vary the exercise prices and expiry dates of the 2,727,250 common share purchase warrants that were exercisable up to 1 August, 2009 at Cdn\$0.65 per share (the “B Warrants”) and the 6,046,000 share purchase warrants exercisable up to 29 November, 2009 at Cdn\$0.35 (the “C Warrants”) (the “Warrants Variation”). As a result of the Warrants Variation the Company issued 4,386,625 share purchase warrants exercisable up to 23 July, 2009 at Cdn\$0.07 (the “D Warrants”) and 4,386,625 share purchase warrants exercisable up to 31 December, 2009 at Cdn\$0.10 (the “E Warrants”) in place of the B Warrants and the C Warrants which were cancelled. No D Warrants or E Warrants were exercised prior to the respective expiry dates.

In view of the delay in the disposal of the Grafton Shares, Grafton made several advances to the Company during 2009 totalling \$1,050,000 (the “Grafton Loans”), to fund a property payment of \$250,000 in March 2009 in respect of the San José Project and the Company’s operating overheads (see **Transactions with Related Parties – Transactions with Grafton** for the terms of these loans).

As at 31 December, 2009 the Company’s Mexican subsidiary had recoverable IVA (sales tax) on past exploration expenditure and property payments in Mexico which amounted to approximately \$317,000. IVA is generally repaid in instalments by the Mexican tax authorities but there is no precise timing as to future repayments of this IVA receivable. However, during Q1 of 2010 a receipt of \$116,000 of IVA from Geologix in respect of the Tepal Initial Instalment has been retained and offset to reduce the balance of the IVA receivable as permitted by Mexican IVA regulations.

In December 2009, the Company announced that it was proposed to reverse the Share Exchange by way of share redemptions (the “Share Redemptions”). Pursuant to the Share Redemptions, Arian would redeem the Arian Shares at the original issue price of Cdn\$0.055 per Arian share and Grafton would redeem the Grafton Shares at the approximate original average issue price of \$38 per Grafton share. In addition, Arian would issue to Grafton 15,762,000 common shares at Cdn\$0.05 per Arian share in settlement of \$750,000 of the Grafton Loans (the “Shares for Debt”).

In January 2010, Arian completed the Share Redemptions and Shares for Debt transactions as a result of which the number of issued and outstanding common shares of the Company was reduced by 93,328,909 common shares to 164,813,969 common shares.

Also, in January 2010, immediately following completion of the Share Redemptions and Shares for Debt transactions, Arian completed a private placement financing (the “Placement”). The Placement raised Cdn\$3,499,857 and comprised 69,997,139 units of the Company (each, a “Unit”) at Cdn\$0.05 per Unit. In addition 600,000 Units were issued in satisfaction of Cdn\$30,000 of finder’s fees payable in connection with the Placement. Each Unit consisted of one common share of the Company and one-half of a common share purchase warrant.

As a result of the Placement the number of issued and outstanding common shares of the Company was increased by 70,597,139 common shares to 235,411,108 common shares. In addition, 35,298,569 “F” share purchase warrants were issued.

Following completion of the Placement, Arian repaid \$300,000 to Grafton, representing the balance outstanding on the Grafton Loans.

In Q1 of 2010 Geologix paid the Tepal Initial Instalment of \$1.45 million, pursuant to the terms of

Arian Silver Corporation – Management’s Discussion and Analysis

the Option Agreement. Settlement was effected by way of a cash payment of \$725,000 and the balance of \$725,000 through the issue of 3,434,193 Geologix shares (the “Geologix Shares”) at a price of Cdn\$0.22 per share. Arian subsequently repaid the Geologix Loan. Geologix can complete the purchase of 100% of the Tepal property by delivering to Arian the Tepal Final Instalment before 23 February, 2011. At Geologix’s election, up to 50% of this payment may be satisfied by the issuance of Geologix shares, subject to Toronto Stock Exchange approval, valued at the 10-day average closing price immediately prior to the time of payment (see **Review of Operations – Tepal Project, Michoacán State**). Geologix is listed on the Toronto Stock Exchange. The Geologix Shares are subject to a four months hold period expiring in July 2010.

In relation to the San José Project, subject to satisfactory completion of contract negotiations and the metallurgical testwork programme, it is currently anticipated that the proposed contract mining and toll milling operation will commence in Q2 of 2010 with positive cash flow commencing during the second half of 2010 (see **Review of Operations – San José Project, Zacatecas State**).

The following share purchase warrants and options are currently outstanding each entitling the holder to acquire one common share of the Company:

- 35,298,569 “F” share purchase warrants at an exercise price of Cdn\$0.10 per common share expiring 22 January 2011.
- 15,175,000 share purchase options with exercise prices of between Cdn\$0.10 and Cdn\$0.60 (with Pounds Sterling equivalents) and expiry dates of between June 2010 and July 2014.

The Company will require additional funding in the future in order to progress exploration programmes on its mineral projects, for project development and for general working capital requirements. Potential sources of funds available to the Company are from cash flow from the proposed initial contract mining operation at the San José Project, proceeds from disposal of the Geologix Shares, through the issue of equity capital, the exercise of outstanding share purchase warrants and options, the sale of its interests in one or more of its projects, by way of project joint ventures or business combinations. In addition, the Tepal Final Instalment is payable on full exercise of the Tepal option.

Although there are a number of potential future sources of funds available to the Company there can be no assurance that funding required by the Company will be generated from its operations or otherwise made available to it when needed. See **Risks and Uncertainties – Requirement of Additional Financing** for details of additional risks associated with future funding of the Company.

Based on current assumptions the directors of the Company currently believe it appropriate to prepare the Company’s financial statements on a going concern basis. However, if current expectations are not fulfilled the Company may not be able to meet its currently projected working capital and project expenditure requirements without additional finance. If these circumstances arose and other sources of finance were not made available to the Company as needed then there would be significant doubt on the Company’s ability to continue as a going concern and the carrying value of the Group’s exploration projects would be impaired.

Working Capital – twelve months ended 31 December, 2009

As at 31 December, 2009, the Company had working capital of approximately \$4.0 million (31 December, 2008 – \$1.1 million). The increase in working capital during the period is mainly due to the Grafton Shares which are held as an available for sale asset valued at \$5.6 million (31 December, 2008 - \$nil) and classified as a current asset.

Cash balances amounted to approximately \$0.1 million (31 December, 2008 - \$0.8 million) and receivables were \$0.3 million (31 December, 2008 – \$0.6 million). Receivables largely relates to

Arian Silver Corporation – Management’s Discussion and Analysis

recoverable IVA (sales tax) on past exploration expenditure in Mexico. Payables were \$0.5 million (31 December, 2008 – \$0.3 million) and short term loans totalled \$1.6 million (31 December, 2008 - \$nil) which comprised the Grafton Loans and Geologix Loan.

Off-balance sheet arrangements

The Company has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

During the financial year ended 31 December, 2009 the Company entered into the following transactions involving related parties:

Transactions with key management personnel

(a) Companies in the Dragon Group charged the Company a total of \$158,746 (2008 – \$449,147). This includes reimbursement of \$123,712 (2008 – \$105,873) in respect of Tony Williams’ remuneration paid on behalf of the Company with the balance relating to the provision of support services, office accommodation and other reimbursable expenses incurred on behalf of the Company. Tony Williams, Chairman and a director of the Company, beneficially owns the Dragon Group. At 31 December, 2009 \$44,736 (2007 - \$30,746) was outstanding.

(b) Kopane Diamond Developments PLC (“KDD”) charged the Company a total of \$91,214 (2008 – \$18,374). This includes reimbursement of \$33,688 (2008 – \$30,752) in respect of James Cable’s remuneration paid on behalf of the Company with the balance relating to the provision of office accommodation and reimbursable expenses incurred on behalf of the Company. The Company charged KDD \$34,640 (2008 – \$24,523) for the provision of accounting support services. James Cable and Tony Williams are Directors of the Company. James Cable is a Director of KDD and Tony Williams is a former Director of KDD. At 31 December, 2009 \$40,879 (2008 - \$nil) was outstanding due to KDD and \$nil (2008 - \$10,111) was outstanding due from KDD.

Transactions with subsidiaries

The Company made loans to Arian Silver de Mexico S.A. de C.V. (“Arian Mexico”) of \$393,447 (2008 – \$2,813,992) and paid charges on behalf of Arian Mexico of \$nil (2008 – \$138,821). A management fee was also charged to Arian Mexico of \$8,233 (2008 – \$7,240).

Transactions with Grafton

As at 31 December, 2009 Grafton was a 42.2% shareholder of the Company having acquired, during 2009, the Arian Shares pursuant to the Share Exchange.

During 2009 Grafton made several advances to the Company totalling \$1,050,000 (2008 - \$nil) to fund the Company’s operating overheads pending disposal of the Grafton Shares. These advances were unsecured and interest free. Whilst it was intended that the advances would be repaid from the proceeds from disposal of the Grafton Shares, \$500,000 had a repayment date of 31 December 2009 and \$250,000 had a repayment date of 31 March, 2010. Repayment of the balance of \$300,000 is related to the sale of the Grafton Shares.

All transactions have been recorded at the exchange amount which is the consideration established and agreed to between the related parties.

FOURTH QUARTER

During the fourth quarter there was no material exploration activity on the Company’s projects.

In October 2009 the Company received a further advance of \$150,000 from Grafton bringing the total advances to \$1,050,000 (see ***Transactions with Related Parties – Transactions with Grafton***).

Arian Silver Corporation – Management’s Discussion and Analysis

In December 2009 the Company announced the Share Redemptions, Shares for Debt and Placement transactions (see ***Liquidity, Capital Resources and Going Concern***).

Also in the fourth quarter the Company negotiated the deferment of the final \$500,000 instalment due in respect of the San José property from December 2009 to January 2010.

PROPOSED TRANSACTIONS

See ***Liquidity, Capital Resources and Going Concern*** for details of proposed transactions.

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. 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 Group 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 options vest unconditionally. 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. 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.

RISKS AND UNCERTAINTIES

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 are adverse 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.

Arian Silver Corporation – Management’s Discussion and Analysis

Agreements in relation to certain mining concessions

There is no certainty that Geologix will elect to continue to make the instalment payments due in respect of the agreement relating to the Tepal property. The sums paid and due to be paid under such agreement are not repayable and if any option payment due in respect of Tepal is not paid by Geologix or the Company when due then the Company will forfeit all rights to the property.

In addition, in relation to concessions over which the Company has an option, the current concession holder may not be able to, or may voluntarily decide not to, comply, or may not have complied in all respects, with the concession requirements for some or all of its concessions. If the current concession holder 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.

Nature of Mineral Exploration and Mining

Any exploration program entails risks relating to the location of economic orebodies, the development of appropriate metallurgical processes, the receipt of necessary governmental permits and the construction of mining and processing facilities. The Company's projects are not in production and no assurance can be given that any exploration program 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 programs 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 may 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 may not eliminate all of the hazards and risks.

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

Requirement of Additional Financing

The exploration and development of the Company's concessions, including continuing exploration projects, and the construction of mining facilities and commencement of mining operations, will require substantial additional financing. Additional financing will also be required for working capital, to pay instalments to acquire mineral property interests under agreements held by the Company at

Arian Silver Corporation – Management’s Discussion and Analysis

the date of this document and any such agreements which are subsequently entered into by the Company. The Company does not currently have sufficient funds to explore its concessions and to maintain its interest in all its projects. No assurance can be given that the Company will be able to raise the additional financing necessary to explore its concessions, or exercise its options (current or future). Failure to obtain sufficient financing for any projects will 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. The only source of funds currently available to the Company is through the issue of equity capital, the sale of concessions or other assets, royalty interests or the entering into of joint ventures. 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 may not be available when needed, or if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to shareholders. In the absence of adequate funding the Company may not be able to continue as a going concern in which event the carrying value of the Company's exploration projects would be impaired.

Limited Operating History

The Company has no concessions producing revenue and its ultimate success will depend on its ability to generate cash flow from concessions in the future. The Company has not earned 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 search for and the development of new silver deposits. Significant capital investment will be required for exploration at the concessions and to achieve commercial production from the Company's existing projects and from successful exploration efforts. There is no assurance that the Company will be able to raise the required funds to continue these activities.

No Reserves

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

Reliance on Sub-Contractors in Mexico

The Company will rely on sub-contractors to implement the Company's exploration and development programs. The failure of a sub-contractor 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 may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances, which may exist on or under any of the properties covered by its concessions, or which may 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 may be subject to penalties, its operations may be suspended, closed and/or its concessions may be revoked.

Arian Silver Corporation – Management’s Discussion and Analysis

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 Republic of Mexico. The Company may be adversely affected by changes in economic, political, judicial, administrative or other regulatory factors such as taxation in the Republic of Mexico, where the Company will operate and holds its major assets. The Republic of 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, 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 agreements and certain other contractual agreements to which a member of the Company 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 may 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.

Arian Silver Corporation – Management’s Discussion and Analysis

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, funding from the disposal of assets or from other sources, 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 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.

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.

Arian Silver Corporation – Management’s Discussion and Analysis

Disclosure of Outstanding Share Data

The following table sets forth information concerning the outstanding securities of the Company as at 27 April, 2010:

	Number in issue
Common shares of no par value	235,961,108
Share options	15,175,000
Share purchase warrants	35,298,569

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