ARIAN SILVER CORPORATION

Management's Discussion and Analysis

of the Financial Condition and Results of Operations

For the Financial Year ended 31 December 2013

19 March 2014

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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)

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") has been prepared based on information available to Arian Silver Corporation ("Arian" or the "Company") as at 19 March 2014 and compares its fourth quarter and consolidated 2013 financial results with the previous year. This document should be read in conjunction with the Company's audited Consolidated Financial Statements and the related notes which are available on SEDAR at www.sedar.com or the Company's website at www.ariansilver.com.

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

Arian is a publicly quoted silver exploration, development and production company, operating in one of the richest silver-bearing districts in the world, Zacatecas State, Mexico. The Company is committed to mining existing silver areas, and to exploring new opportunities. Arian's current main project is in San José, Zacatecas State.

The Company's strategy is to:

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

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

Forward-looking statements

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

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

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

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

These forward-looking statements reflect the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking statements are subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements, and even if such actual results are realised or substantially realised, there can be no assurance that they will have the expected consequences to, or effects on the Company. Factors that could cause actual results or events to differ materially from current expectations include, among other things, the performance of contractors and plant and

equipment engaged in relation to the SJ Mining Operation, failure to achieve anticipated production levels and mineral grades for ore from the SJ Mining Operation, failure to establish estimated mineral reserves, the possibility that future exploration results will not be consistent with the Company’s expectations, uncertainties relating to the availability and costs of financing needed in the future, changes in the silver commodity price, changes in equity markets, political developments in Mexico, changes to regulations affecting the Company's activities, delays in obtaining or failures to obtain required regulatory approvals, the uncertainties involved in interpreting exploration results and other geological data, and the other risks involved in the mineral exploration and development industry. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.

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.

Qualified persons

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

OVERALL PERFORMANCE

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

In the early part of the year, Arian pursued the resumption of toll milling operations until this was terminated in June against the backdrop of the anticipated acquisition of a suitable second-hand custom processing plant.

On 29 August 2013 the Company issued a $15.6 million convertible note ("Note" or "Convertible Note") and simultaneously acquired the El Bote processing plant ("El Bote" or the "Plant") for $3.12m. This was a significant step for the Company as it enabled the elimination of its reliance on third-party toll millers and is expected to provide significantly increased operational control and efficiency, which should translate into reduced operational costs and superior metal recoveries.

Since acquiring the Plant, Arian has been focussed on its refurbishment, making preparations for its relocation to the Company's San José project site, and developing the San José mine to prepare for the increase in production capacity.

Summary Financial Information

	Annual 2013 $000s	Annual 2012 $000s	Change $000s
Revenue	129	4,588	(4,459)
Gross loss	(564)	(764)	200
Net loss for the period	(1,611)	(4,031)	2,420
Cash and cash equivalents	7,241	491	6,750
Total assets	28,366	14,119	14,247

The decrease in revenue on 2012 results reflects the termination of toll milling operations in June 2013.

The net loss for the period reduced year-on-year due to the gain recognised in relation to the fair value adjustment of the derivative liability element of the Note and was offset by the transaction costs relating to the Convertible Note, a foreign exchange loss and an increase in the fair value adjustment for share based payments.

Cash and cash equivalents increased since 31 December 2012 following the issue of the Convertible Note and drawdowns of the Company's Standby Equity Distribution Agreement ("SEDA") facility.

Total assets increased since 31 December 2012 primarily due to the increase in cash at bank, and the acquisition of the El Bote processing plant.

A 7.5% royalty on taxable profits and a 0.5% net smelter royalty were introduced in Mexico with effect from 1 January 2014. These taxes have not been incurred by Arian Silver to date, and other mining companies operating in similar areas are currently challenging the application of these taxes. Advice received from Arian's external Mexican legal advisers indicates the Company has a strong legal case to challenge the application of these royalties.

REVIEW OF OPERATIONS

San José project, Zacatecas State

Overview

The 100%-owned San José property lies 55 kilometres to the southeast of the city of Zacatecas and covers eight mining concessions totalling approximately 6,134 hectares. The property has significant infrastructure, including a 4x5 metre main haulage ramp extending more than 4.0 kilometres along the footwall of the San José Vein system, and a 350 metres deep, 500 tpd vertical shaft with an operational hoist. In addition, a number of shallower vertical shafts are located in a westerly direction along the vein.

			2013		
	Full Year	**Q4**	**Q3**	**Q2**	**Q1**
Production information summary for San José mine					
Head grade (mill): Ag grams per tonne (g/t)	**189**	-	-	191	174
Tonnes mined	**14,501**	8,057	1,816	4,628	-
Tonnes milled	**3,479**	-	-	3,221	258
Ag concentrate tonnes produced	**47**	-	-	43	4
Recovery %	**42.74**	-	-	41.42	60.90
Ag ounces produced	**9,058**	-	-	8,180	878
Ag ounces per concentrate tonne produced	**194**	-	-	190	251
Ag ounces sold	**9,058**	-	-	9,058	-
Ag concentrate tonnes sold	**37**	-	-	37	-
Quarter end inventory balances					
Mined tonnes stockpile	**27,015**	27,015	18,958	17,142	17,935
Ag concentrate inventory tonnes	-	-	-	4	4
Ag ounces included in concentrate inventory	-	-	-	1,204	878

			2012		
	Full Year	**Q4**	**Q3**	**Q2**	**Q1**
Production information summary for San José mine					
Head grade (mill): Ag grams per tonne (g/t)	**177**	-	-	181	173
Tonnes mined	**51,893**	-	4,072	26,268	21,553
Tonnes milled	**53,297**	-	-	28,903	24,394
Ag concentrate tonnes produced	**600**	-	-	298	302
Recovery %	**53.88**	-	-	58.74	49.01
Ag ounces produced	**165,304**	-	-	98,616	66,688
Ag ounces per concentrate tonne produced	**275**	-	-	331	221
Ag ounces sold	**177,960**	-	8,937	93,112	75,911
Ag concentrate tonnes sold	**648**	-	32	286	330
Quarter end inventory balances					
Mined tonnes stockpile	**18,192**	18,192	18,204	15,003	17,637
Ag concentrate inventory tonnes	-	-	-	36	24
Ag ounces included in concentrate inventory	-	-	-	11,276	5,772

During the first half of 2013, mining activities at San José were conducted to supply the toll milling operations at Juan Reyes. When that toll milling agreement was terminated, mining activities then slowed, until the El Bote processing plant was purchased, from which time mine development began to accelerate to ensure mine capacity would be sufficient to supply El Bote following its commissioning.

No tonnes were milled in the second half of 2013 due to the suspension of production at the Juan Reyes plant.

The stockpile of mined ore was higher at the end of 2013 than at the equivalent time in 2012 as the milling of mined ore ceased in June 2013. This stockpiled ore will be processed once production commences at the refurbished plant.

	Fourth Quarter 2013	Fourth Quarter 2012	Annual 2013	Annual 2012	Change
Head grade - Ag grams per tonne	-	-	189	177	7%
Tonnes mined	8,057	-	14,501	51,893	(72%)
Tonnes milled	-	-	3,479	53,297	(93%)
Silver concentrate tonnes produced	-	-	47	600	(92%)
Silver ounces produced	-	-	9,058	165,304	(94%)
Silver ounces per concentrate tonne produced	-	-	194	275	(29%)
Silver ounces sold	-	-	9,058	177,960	(95%)
Silver concentrate tonnes sold	-	-	37	648	(94%)

Mining

Mining continued at the San José mine in Q4 2013 in preparation for the resumption of milling activities at the refurbished Plant in late 2014.

Milling

In the early part of the year, Arian pursued the resumption of toll milling operations at the Juan Reyes processing plant. This was terminated in June 2013 with the mutual consent of the owner of the plant, against the backdrop of the anticipated acquisition of a suitable second-hand custom processing plant.

In August 2013, the Company acquired the El Bote Processing Plant and commenced its refurbishment in situ. Upon completion of the refurbishment, it is planned that the plant will be dismantled, transported and installed in a modular manner at the Company's 100%-owned site adjacent to the San José mine. An internal team is leading the refurbishment of the Plant to ensure the Company has the control necessary to ensure the project is performed to a suitable standard and in the most cost-efficient manner. Third parties will be utilised in the development of the necessary site works, tailings dam and electrical infrastructure for the plant.

The Plant is currently located approximately 60 kilometres from the site of the San José mine and is comprised of a crushing circuit with a reported throughput of 150 tonnes per hour, a grinding circuit of four ball mills, two flotation circuits, thickening tanks and filters.

It is anticipated that the Plant will be commissioned towards the end of 2014 with an initial capacity expected of 750 tonnes per day "tpd" after which, the Plant will be expanded to 1,500 tpd.

Exploration Assets

During the year, three of the Company's concessions representing 145 hectares, which were not considered to hold mineralisation and which were outside the mineralisation trend, have been cancelled. The cancellation of these concessions does not impact the Company's NI 43-101 mineral resource estimate and the Company now holds 28 mineral concessions in Mexico totalling 7,822 hectares as set out below.

Project Name	No. of Concessions	Area in hectares ("ha")
San José	8	6,134
Calicanto	7	75
Others	13	1,536
Total	**28**	**7,745**

No exploration took place during the year. The Company's proposed fifth exploration phase is now planned to take place after the Plant has been successfully commissioned and the San José Project is generating positive cash flow.

Information on Arian's exploration assets are contained in a technical report prepared by A.C.A. Howe International Limited dated 20 March 2006 and entitled "Technical Report on the Calicanto and San Celso Projects, Zacatecas, Mexico". A copy of this report is available on the Company's website www.ariansilver.com or on SEDAR at www.sedar.com.

REVIEW OF FINANCIAL RESULTS

Selected Annual Information

	Annual 2013 $'000	Annual 2012 $'000	Annual 2011 $'000	Change 2013-12 $'000	Change 2013-12
Revenue	129	4,588	7,467	(4,459)	(97%)
Cost of sales	(693)	(5,352)	(6,655)	4,659	87%
Gross (loss)/profit	(564)	(764)	812	200	26%
Operating (loss)/profit	(1,567)	(3,958)	(10,510)	2,391	60%
Net investment (loss)/profit	(44)	(73)	(460)	29	40%
Net (loss)/profit for the period	(1,611)	(4,031)	(10,970)	2,420	60%
Basic and diluted (loss)/profit per share $	($0.05)	($0.13)	($0.37)	$0.08	62%
Intangible assets	1,168	1,176	1,093	(8)	(1%)
Property, plant and equipment	17,651	10,405	8,082	7,246	70%
Trade and other receivables	1,326	1,206	1,890	120	10%
Cash	7,241	491	3,991	6,750	1,375%
Inventories	980	644	922	336	52%
Financial assets held for sale	-	197	272	(197)	(100%)
Total assets	28,366	14,119	16,250	14,247	101%
Convertible Note liability	(11,170)	-	-	(11,170)	(100%)
Total non-current financial liabilities	(187)	(177)	(170)	(10)	(6%)
Shareholders' equity	(15,784)	(13,003)	(14,909)	(2,781)	(21%)

Revenue
Revenues comprised sales of silver concentrate, which decreased by 97% to $0.1m (2012: $4.6m) as a result of the suspension of production and the lower silver price.

Cost of sales
Cost of sales decreased by 87% to $0.7m (2012: $5.4m) mainly on account of lower sales volumes.

Gross (loss)/profit
A gross loss of $0.6m (2012: $0.8m) was mainly due to the lower silver price and lower levels of production.

Operating loss
The operating loss decreased by $2.4m or 60% to $1.6m (2012: $4.0m), mainly on account of the $3.5m gain on the fair value adjustment of the derivative liability relating to the Convertible Note (this is due to the lower value of the derivative liability based on the lower share price and the less likelihood of the conversion being exercised), offset by $1.1m additional expenditure comprising $0.5m transaction costs incurred upon the issue of the Convertible Note, $0.4m in foreign exchange loss and $0.2m increase for the fair value adjustment relating to share based payments.

Net loss
Net loss decreased by $2.4m, or 60% to $1.6m (2012: $4.0m) on account of the reduction in the operating loss.

Total assets
Total assets increased by 101% to $28.4m (2012: $14.1m) primarily due to $6.2m in capitalised costs relating to the new El Bote processing plant, a $1.2m investment in development at the San José mine and a $6.8m increase in cash.

Convertible Note
The Effective Interest Method employed to account for the Convertible Note liability requires the notional interest charge to be apportioned throughout the period from the initial recognition of the Note through to its maturity, at which time a balance of $16.4m will be owing, comprising the $15.6m principal together with the additional 5% premium to be repaid upon maturity of the Note in the event it is not converted.

Shareholders' equity
Shareholders' equity increased by $2.8m or 21% to $15.8m (2012: $13.0m). This increase reflects a $3.8m net increase from share and option issuances, and a $0.6m increase in foreign exchanges reserves, offset by a $1.6m net loss for the year.

Quarterly results

	2013				2012			
Unaudited	**Q4 $'000**	**Q3 $'000**	**Q2 $'000**	**Q1 $'000**	**Q4 $'000**	**Q3 $'000**	**Q2 $'000**	**Q1 $'000**
Revenue	-	-	129	-	34	136	2,104	2,314
Cost of sales	(49)	(25)	(413)	(206)	(256)	(475)	(2,242)	(2,379)
Gross (loss) / profit	(49)	(25)	(284)	(206)	(222)	(339)	(138)	(65)
Net investment (loss)/profit	1	44	(68)	(21)	(84)	57	(127)	81
Net (loss)/profit for the period	(583)	875	(947)	(956)	(1,156)	(968)	(1,133)	(774)
Basic and diluted loss per share	($0.02)	$0.03	($0.03)	($0.03)	($0.04)	($0.03)	($0.04)	($0.03)
Total assets	28,366	27,361	14,582	15,154	14,119	14,409	15,021	16,732
Total non-current financial liabilities	(187)	(185)	(182)	(186)	(177)	(175)	(172)	(171)
Shareholders' equity	(15,784)	(15,717)	(13,414)	(13,971)	(13,003)	(13,464)	(13,647)	(15,370)

Q4 2013 v Q3 2013
The gross loss of $49k was $24k higher than Q3 mainly due to the write back of inventory in Q3 as a result of a marginally improved silver price. The net loss for Q4 of $0.6m was $1.5m lower than Q3 mainly on account of the fair value adjustment relating to the derivative liability.

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

Q3 2013 v Q2 2013
The Q3 gross loss of $25k was $0.2m lower than the second quarter, mainly as a result of the suspension of production due to the volatility in the silver price. The net profit for Q3 of $0.9m was $1.8m higher than Q2 mainly due to the $2.5m gain from the fair value adjustment over the derivative liability relating to the Convertible Note, offset by related transaction costs and a foreign exchange loss.

Cash available at the end of Q3 of $9.3m was $8.6m higher than Q2 attributable to the proceeds from the Convertible Note.

Q2 2013 v Q1 2013
The Q2 gross loss of $0.3m and the net loss for Q2 2013 of $0.9m were in line with the previous quarter.

Q1 2013 v Q4 2012
The gross loss of $0.2m for Q1 2013 was in line with the gross loss reported in the previous quarter. The net loss for Q1 2013 of $1m was $0.2m lower than that for Q4 2012 due to administrative expenses being $0.1m lower and the investment loss being $0.1m lower.

An increase in shareholders' equity of $1m was attributable to the increase of $1.3m share capital resulting from the SEDA drawdown, an increase of $0.6m in the value of the foreign exchange reserve, offset by the net loss of $0.9m for the period.

Q4 2012 v Q3 2012
Revenue during Q4 and Q3 was generated from the sale of silver concentrate from the San José mining operation.

The gross loss reduced on account of reduced expenditure on mining operations; the net loss increased in Q4 compared to Q3 following the revaluation of Geologix shares.

Total assets decreased by $0.3m to $14.1m; cash decreased by $0.4m to $0.5m and financial assets held for sale relating to the Geologix shares reduced by $0.1m. This was offset by an increase of $0.2m investment in development of the San José mine.

Shareholders' equity reduced $0.5m on account of the $1.2m net loss and $0.1m increase in foreign exchange translation reserves, offset by the increase of $0.8m share capital raised through the SEDA.

Q3 2012 v Q2 2012
A gross loss of $0.3m was reported in the third quarter, $0.2m higher than the second quarter, mainly as a result of lower revenues resulting from the suspension of processing of mined ore. The net loss in the period of $1m was $0.1m less than for the previous quarter due to the increase in value of the Geologix shares received as partial payment for the disposal of the Tepal property.

Cash decreased by $0.5m to $0.9m largely as a result of investment in the development of the San José mine. The decrease in shareholders' equity of $0.2m was largely attributable to the movement in the foreign exchange reserve and the loss for the period.

Q2 2012 v Q1 2012
A gross loss of $0.1m was reported in the second quarter broadly in line with the first quarter. The net loss of $1.1m in the period was $0.3m higher than for the previous quarter mainly due to a $0.1m non-cash charge for the fair value of share options vesting that were issued in the quarter, and $0.2m for the reduction in value of the Geologix shares received as partial consideration for the disposal of the Tepal property.

Cash decreased by $1.4m to $1.4m largely as a result of investment in the development of the San José mine. The decrease in shareholders' equity of $1.7m was largely attributable to the net loss (of $1.1m) and movement in the foreign exchange reserve for the period.

Subsequent events

On 14 January 2014 the Company granted 50,000 share options under the Company's share option plan. These share options are exercisable at £0.325 or C$0.57624 per share up to 13 January 2018.

Liquidity, working capital and capital resources

Liquidity
At 31 December 2013 the Company had cash and cash equivalents of $7.2m (2012: $0.5m) and working capital deficiency of $2.8m.

Cash and cash equivalents increased by $6.7m during 2013 as a result of $12.2m proceeds from the Convertible Note, and $3.3m proceeds from the issue of share capital, offset by $4.6m used in operating activities, $3.6m investment in the purchase and refurbishment of the El Bote plant, $1.2m investment in mine development at the San José mine and $0.5m foreign exchange loss.

Working capital

Current assets

- Cash and cash equivalents of $7.2m (2012: $0.5m) increased by $6.7m as a result of proceeds from the Convertible Note, funds from the issue of shares in connection with the SEDA drawdown, sale of Geologix shares offset by monies spent on the El Bote refurbishment and the development of the San José mine.
- Trade and other receivables of $1.3m (2012: $1.2m) increased marginally due to an increase in receivables relating to IVA (Mexican sales tax).
- Inventories of $1.0m (2012: $0.6m) increased as mining continues at the San José mine.

- Other financial assets held at fair value through the profit and loss account of $nil (2012: $0.2m), the Geologix shares were sold during the year.

Current liabilities

- Trade payables $1.2m (2012: $0.9m) increased by $0.3m.

Capital resources

Convertible Note

On 29 August 2013, the Company issued a convertible note instrument raising $15.6m before transaction costs, with Platinum Long Term Growth VIII, LLC. The instrument is convertible in whole or in part at the option of the note holder at a conversion price of C$1.10. The Note will mature at a premium of 5% if not otherwise converted before 29 August 2014. On closing, the Company prepaid the full interest of 14%. This facility was entered into to fund the purchase, refurbishment, transportation and reassembly of the Plant, and the development of the San José mine.

Standby Equity Distribution Agreement ("SEDA")

The Company announced on 27 September 2012 it had signed a three year £5m standby equity distribution agreement with YA Global Master SPV Ltd, an investment fund managed by Yorkville Advisors Global, L.P. The SEDA allows the company to draw down funds in exchange for the issue of shares in the Company.

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

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

During the year, the Company issued shares equivalent to 2,876,035 post-consolidation shares under the terms of the SEDA, for an aggregate of £2.3m.

Share options

As at 31 December 2013, the following share purchase options were outstanding, each entitling the holder to acquire one common share of the Company:

2,231,000 share purchase options with exercise prices ranging from £0.55 to £4.925 or C$1.00 to C$7.90 expiring on various dates up to January 2019.

On 14 January 2014, options over 50,000 shares were granted at a price of £0.325 or C$0.57624.

Future commitments

The following table discloses the contractual obligations for the Company as at 31 December 2013:

	Less than 1 year	Total
	$'000	$'000
Building lease	74	74

Off-balance sheet arrangements

The Company has no off-balance sheet arrangements.

Transactions between related parties

At 31 December 2013 the directors of the Company and their immediate relatives controlled approximately 2.6% (2012: 2.8%) of the voting shares of the Company.

During the year ended 31 December 2013 the Company entered into the following transactions involving key management personnel:

Companies in the Dragon Group charged the Company a total of $121,498 (2012: $123,083). This relates to the reimbursement of Tony Williams' remuneration paid on behalf of the Company. Tony Williams, Chairman and a director of the Company, beneficially owns the Dragon Group. At 31 December 2013, $10,672 (2012: $20,910) was outstanding.

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

The option grant fee is repayable by SGL to Arian together with interest payable at a rate of 10% per annum in the event that Arian elects not to proceed with a Transaction. Interest accrued during the year ended 31 December 2013 amounts to $3,780 (2012: $nil). As at 31 December 2013, $203,780 (2012: $nil) was owed to Arian by SGL.

Tony Williams is a director and shareholder of SGL.

Directors' interests in the common shares of the Company as at 31 December 2013 and 2012 were:

	2013	**2012**
A J Williams	220,000	220,000
J T Williams	480,000	480,000
J A Crombie	150,000	150,000
T A Bailey	-	200

Critical accounting estimates

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

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

Going concern

The directors regularly review cash flow forecasts to determine whether the Company and its subsidiaries (together referred to as the "Group") have sufficient cash reserves to meet future working capital requirements and commitments, and to fund future expansion projects and business opportunities.

At 31 December 2013 the Company had a working capital deficiency of $2.8m.

On the 29 August 2013 the Company raised $15,585,000 through the issuance of a Convertible Note. The senior secured Convertible Note is convertible at C$1.10 at the option of the note holder, and if not converted, will mature at a premium of 5% on 28 August 2014.

The Group is currently developing opportunities to refinance the Convertible Note, which may comprise one or more of, the issue of new equity, debt finance and alternative financing arrangements, to source funds on more attractive terms and to more adequately fund the expansion of the Company's operations.

In September 2012, the Group entered into a £5m SEDA with Yorkville. The SEDA entitles the Group to drawdown funds in exchange for the issue of shares at a price based on the Company's market price. At 31 December 2013, £2.2m remained available to draw down against the SEDA facility.

In the past the Group has been successful at raising funding, however there can be no assurance that the Group will be able to raise funds in the future.

The directors currently believe the Group has adequate financial resources or access to such resources in order to continue to prepare the Company's financial statements on a going concern basis. However, if the Company is unsuccessful in raising future funding it may not be able to meet its on-going working capital and project expenditure requirements. If these circumstances arose 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 and other assets would be required to be reviewed.

Resource Properties, Deferred Exploration and Development Costs

All costs related to the exploration of mineral properties are capitalised until either the properties are brought into production, at which time they are amortised over the estimated life of the project, or until the properties are sold, or title rights allowed to lapse, or are abandoned or determined not to be commercially viable, at which time they 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 Company directors, officers, employees and consultants to acquire shares of the Company. The fair value of options granted is recognised as an expense with a corresponding increase in equity. The fair value is measured at the grant date and spread over the period until the share purchase options vest unconditionally. The fair value of the options granted is 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.

Revenue recognition

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

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

Derivative liability

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

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

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

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

RISK MANAGEMENT

Financial Risks

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

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

Currency risk
The Company's exploration expenditure is made in Mexico in Mexican pesos and head office expenses are predominantly made in the UK in pounds sterling, US dollars and Canadian dollars. The Company is therefore exposed to the movement in exchange rates for these currencies. The Company does not currently hedge foreign exchange risk.

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

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

Liquidity risk
The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at 31 December 2013, the Company had cash of $7,241,000 to settle accounts payable of $1,173,000. The Company's accounts payable have contractual maturities of less than 30 days and are subject to normal trade terms. In the short-term, liabilities will be funded by cash. Once the Company resumes production, it is expected that the Company will generate sufficient cash from the sale of concentrates and funds raised from investors to settle operating accounts payable.

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

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

Other risk factors

The financing, exploration, development and exploitation of the Company's properties and the operations of the Company's business are subject to a number of risk factors, including metal prices, laws and regulations, political conditions, currency fluctuations, hiring qualified people and obtaining necessary services in jurisdictions where the Company operates.

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

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

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

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

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

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

The Company's operations are subject to all of the hazards and risks normally incidental to exploration, development and the production of minerals. These could result in damage to or destruction of the Company's facilities, damage to life or property, environmental damage or pollution and possibly legal liability for any or all damage, which could have a material adverse impact on the business, operations and financial performance of the Company. The Company's activities could be subject to prolonged disruptions due to weather conditions depending on the location of operations in which the Company has interests. Hazards, such as unusual or unexpected geological formations, rock falls, flooding or other climatic conditions may be encountered in the drilling and removal of material. Although

precautions to minimise risk will be taken, even a combination of careful evaluation, experience and knowledge might not eliminate all of the hazards and risks.

Whether a mineral deposit will be or will continue to be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as its size and grade, proximity to infrastructure, financing costs and governmental regulations, including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting of silver, changes in the silver price and environmental protection. The effect of these factors cannot be accurately predicted, but the combination of these factors could result in the Company not receiving an adequate return on invested capital.

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

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

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

Requirement for additional financing
The Company has in place a $15.6 million convertible debt facility which may be converted at a price of C$1.10 per share. If this debt is not converted, the Company will need to raise additional funds to repay it. The Plant will not be operational before the debt would need to be repaid and additional finance to fund projected working capital expenses will be required.

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

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.

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

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

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

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

Mineral resource estimates
The mineral resource figures published by the company are estimates and no assurances can be given that the indicated levels of minerals will be produced. Such estimates are expressions of

judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. The Company's mineral resource estimate complies with the requirements of the Canadian NI 43-101 regulations, and the Company considers its mineral resource estimate to be well established, but it should be noted that mineral resource estimates are by their nature, imprecise and depend, to a certain extent, upon statistical inferences, which may ultimately prove unreliable. If such estimates are inaccurate or are reduced in the future, this could have a material adverse impact on the Company.

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

No reserves
The Company does not hold any concessions in respect of which mineral reserves estimates have been established that comply with CIM Standards and Guidelines or other similar recognised industry standards.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DISCLOSURE OF OUTSTANDING SHARE DATA
The following sets out the outstanding securities of the Company as at 19 March, 2014:

	Number in issue
Common shares of no par value	33,366,005
Share purchase options	2,231,000

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

The Company has outstanding loan notes representing $15.6 million, which are convertible at the option of the holder, at any time up to and including 28 August 2014 into fully paid and non-assessable common shares of the Company at a price equal to C$1.10 each, representing an aggregate of 14,181,818 Common shares of the Company. The holder is restricted from holding more than 9.9% of the Common shares of the Company at any single point in time. As at 31 December 2013 this equated to 3,303,234 Common shares.