**ARIAN SILVER CORPORATION**

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

**For the three and six months ended 30 June 2015**

Berkeley Square House, Berkeley Square, London W1J 6BD, England
Tel: +44 (0) 20 7887 6599 Fax: +44 (0) 20 7887 6598

## COMPANY INFORMATION

| | |
|---|---|
| **DIRECTORS** | Anthony (Tony) J. Williams, *Chairman*<br>James (Jim) T. Williams, *Chief Executive Officer*<br>Thomas A. Bailey, *Independent non-executive*<br>James S. Cable, *Independent non-executive*<br>James A. Crombie, *Independent non-executive*<br>David C. Laing, *Non-executive*<br>Oliver Rodz, *Non-executive* |
| **CORPORATE SECRETARY** | David H. Taylor |
| **HEAD OFFICE** | Berkeley Square House<br>Berkeley Square<br>London, W1J 6BD<br>United Kingdom<br>Tel: +44 (0)20 7887 6599<br>Fax: +44 (0)20 7887 6598 |
| **REGISTERED OFFICE** | Craigmuir Chambers<br>P.O. Box 71<br>Road Town, Tortola<br>British Virgin Islands |
| **NOMINATED ADVISER<br>AND<br>JOINT BROKER** | Cantor Fitzgerald Europe<br>One Churchill Place<br>London E14 5RB |
| **JOINT BROKER** | Northland Capital Partners Limited<br>131 Finsbury Pavement<br>London, EC2A 1NT |
| **FINANCIAL PR** | Yellow Jersey PR Limited<br>South Building, Upper Farm<br>Wootton St. Lawrence<br>Basingstoke<br>Hants, RG23 8PE |
| **AUDITOR** | BDO LLP<br>55 Baker Street<br>London, W1U 7EU |
| **REGISTRAR** | Computershare Investor Services Inc.<br>100 University Avenue<br>Toronto, Ontario, M5J 2Y1<br>Canada |
| **STOCK EXCHANGES** | AIM Market of the London Stock Exchange<br>TSX Venture Exchange<br>Frankfurt Stock Exchange |
| **TRADING SYMBOLS** | AIM: AGQ (stock is quoted in pounds sterling)<br>TSX-V: AGQ (stock is quoted in Canadian dollars)<br>Frankfurt: I3A (stock is quoted in euros) |

*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 28 August 2015 and compares its financial results for the second quarter ended 30 June 2015 with the equivalent period of the previous year. This MD&A should be read in conjunction with the Company's Unaudited Consolidated Financial Statements for the six months ended 30 June 2015 ("Financial Statements") and the related notes. The Financial Statements and the related notes have been prepared in accordance with International Financial Reporting Standards. All dollar amounts referred to in this MD&A are expressed in United States dollars, unless specifically stated otherwise.*

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING AND CONTROLS

The Financial Statements and the comparative information for 2014, 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 the 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 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 Financial Statements may contain certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis to ensure that the Financial Statements are presented fairly in all material respects.

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

## INTRODUCTION

The following discussion is Management's assessment and analysis of the results and financial condition of the Company and should be read in conjunction with the accompanying Financial Statements and the Company's 2014 Annual Report, both of which can be accessed on SEDAR at www.sedar.com or the Company's website at www.ariansilver.com.

Arian Silver is a publicly quoted silver exploration, development and production company, operating in one of the richest known silver-bearing districts in the world, Zacatecas State, Mexico. The Company and its subsidiaries (together referred to as the "Group") are committed to mining existing silver assets, and to exploring new opportunities. Arian's current focus is the development and exploitation of its flagship San José project which comprises the San José mine and La Tesorera processing plant (the "Plant"), which was formerly known as "El Bote", refurbished and renamed in 2014.

Arian Silver Corporation was co-founded by Jim Williams (CEO) and Tony Williams (Executive Chairman).

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. The Company's headquarters are in Berkeley Square, London.

## THE STRATEGY

The Company's strategy is to:

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

## OVERVIEW OF SECOND QUARTER 2015

During the quarter, the Company continued the phased commissioning programme of La Tesorera processing plant (the "Plant"), which saw first concentrate sales from the first of two flotation circuits in April 2015.

### Highlights

- First silver-lead concentrate sales revenues received in April 2015
- Commissioning of the Plant remains underway in Q2 2015 and is expected to continue during Q3 2015
- Results from the phase 5 drill programme confirm the continuity of the vein through the Guanajuatillo section of the San José mine
- Cash balance at 26 August 2015: $0.7 million

### Overview of financial performance

| | Six months ended 30 June 2015 $000s | Six months ended 30 June 2014 $000s | Change $000s |
|---|---|---|---|
| Gross loss | - | (153) | 153 |
| Administrative expenses | (2,029) | (1,634) | (395) |
| Gain/(loss) on derivative liabilities | 5,533 | 35 | 5,498 |
| Net investment (loss)/income | (11) | - | (11) |
| Net profit/(loss) for the period | 3,493 | (1,752) | 5,245 |

| | As at 30 June 2015 $000s | As at 31 Dec 2014 $000s | Change $000s |
|---|---|---|---|
| Cash and cash equivalents | 778 | 2,846 | 2,068 |
| Total assets | 40,001 | 35,865 | 4,136 |

During the period the Company drew down $5.9 million in accordance with the terms of the Base Metals Purchase Agreement ("BMPA") with Quintana San Jose Streaming Co. LLC ("Quintana Streaming").

A total of 202 tonnes of lead-silver concentrate has been sold for $0.5 million. During the Plant's commissioning process, any income from concentrate sales (less the associated production costs) is capitalised and recognised as a non-current asset. This is a constituent element of "Property, plant and equipment" in the consolidated statement of comprehensive income.

Total assets increased since 31 December 2014 as a result of the continued investment in the mine and Plant and the capitalisation of interest for the period. The movement in the Company's cash balance reflects the drawdown under the BMPA, the continued investment in the mine and Plant together with general corporate and administrative expenditures.

The net profit for the period was primarily due to the fair value adjustment relating to the $5.5 million gain on derivative liabilities (this is explained further in note 7 to the *Financial Statements*).

**Overview of operational performance**

| | Q2 2015 | Q1 2015 | Q4 2014 | Q3 2014 |
|---|---|---|---|---|
| Head grade - Ag grams per tonne (g/t) | 161 | - | - | - |
| Tonnes mined | 14,370 | 5,719 | (695) | - |
| Tonnes milled | 18,278 | - | - | - |
| | | | | |
| Silver concentrate tonnes produced | 244 | - | - | - |
| Recovery % | 57 | - | - | - |
| Silver ounces produced | 54,034 | - | - | - |
| Silver ounces per concentrate tonne produced | 222 | - | - | - |
| | | | | |
| Silver ounces sold | 47,581 | - | - | - |
| Silver concentrate tonnes sold | 202 | - | - | - |
| | | | | |
| **Quarter end inventory balances** | | | | |
| Mined tonnes stockpile | 35,458 | 39,366 | 33,647 | 34,342 |
| Silver concentrate inventory tonnes | - | - | - | - |
| Silver ounces included in concentrate inventory | - | - | - | - |

| | Q2 2014 | Q1 2014 | Q4 2013 | Q3 2013 |
|---|---|---|---|---|
| Head grade - Ag grams per tonne (g/t) | - | - | - | - |
| Tonnes mined | 1,588 | 5,739 | 8,057 | 1,816 |
| Tonnes milled | - | - | - | - |
| | | | | |
| Silver concentrate tonnes produced | - | - | - | - |
| Recovery % | - | - | - | - |
| Silver ounces produced | - | - | - | - |
| Silver ounces per concentrate tonne produced | - | - | - | - |
| | | | | |
| Silver ounces sold | - | - | - | - |
| Silver concentrate tonnes sold | - | - | - | - |
| | | | | |
| **Quarter end inventory balances** | | | | |
| Mined tonnes stockpile | 34,342 | 32,754 | 27,015 | 18,958 |
| Silver concentrate inventory tonnes | - | - | - | - |
| Silver ounces included in concentrate inventory | - | - | - | - |

During Q2 2015, the Company continued the phased commissioning of the Plant, which continues through Q3.

During the quarter, the Company published the results of its fifth phase drilling results, which demonstrated the significant potential for further silver and base metal resources within the San José vein system, returning some excellent intersections with increased true widths in several drill holes.

The results confirmed that the silver, lead and zinc mineralisation extends beneath the township of Guanajuatillo over a length of a kilometre. The Guanajuatillo area connects to the Soledad resource blocks to the east as well as to the resource blocks to the west of Guanajuatillo.

These drilling results will enable us to update our NI 43-101 compliant mineral resource estimate over the coming months and we look forward to updating shareholders in due course.

In addition, the Company recently commenced an underground drilling program using its own compact drilling rig which has been set up to drill the down dip extensions of the San José vein system and to further aid mine development work.

Mine development remained a focus of the Company during the period with the aim of further preparing areas in readiness for the Company's production ramp-up. Two new decline ramps at the Soledad and Guanajuatillo sections of the mine were progressed during the month. The operation is already producing ore from Soledad section of the mine.

***Comparison of quarter year-on-year***

| | Q2 2015 | Q2 2014 | Change |
|---|---|---|---|
| Head grade - Ag grams per tonne | 161 | - | 100% |
| Tonnes mined | 14,370 | 1,588 | 805% |
| Tonnes milled | 18,278 | - | 100% |
| Silver concentrate tonnes produced | 244 | - | 100% |
| Silver ounces produced | 54,034 | - | 100% |
| Silver ounces per concentrate tonne produced | 222 | - | 100% |

## SUBSEQUENT EVENTS

***Funding***

Cash of $1.6 million was received in July 2015 pursuant to the terms of the BMPA. The Company has now received $15.2 million of the $15.6 million committed by Quintana Streaming.

## REVIEW OF FINANCIAL PERFORMANCE

### Summary of quarterly results

The Company's focus during the quarter was the progression of the phased commissioning and ramp-up of the Plant and the development of the two new decline ramps at Soledad and Guanajuatillo.

Whilst the San José project progresses through the commissioning stage all revenues in respect of concentrate sales and associated costs are recognised as part of the investment in the San José mine in property, plant and equipment.

| Unaudited | Q2 2015 $'000 | Q1 2015 $'000 | Q4 2014 $'000 | Q3 2014 $'000 |
|---|---|---|---|---|
| Revenue | - | - | - | - |
| Cost of sales | - | - | (65) | (223) |
| Gross loss | - | - | (65) | (223) |
| Net investment (loss)/income | (5) | (6) | 2 | 7 |
| Net profit/(loss) for the period | 1,595 | 1,898 | (2,951) | (1,211) |
| Basic and diluted profit/(loss) per share | $0.05 | $0.06 | ($0.09) | ($0.04) |
| | | | | |
| Total assets | 40,001 | 39,360 | 35,865 | 30,352 |
| Total current liabilities | (4,696) | (6,398) | (6,789) | (17,606) |
| Total non-current liabilities | (21,656) | (20,471) | (17,718) | (195) |
| Shareholders' equity | (13,649) | (12,491) | (11,358) | (12,551) |

| Unaudited | Q2 2014 $'000 | Q1 2014 $'000 | Q4 2013 $'000 | Q3 2013 $'000 |
|---|---|---|---|---|
| Revenue | - | - | - | - |
| Cost of sales | (140) | (13) | (49) | (25) |
| Gross loss | (140) | (13) | (49) | (25) |
| Net investment income/(loss) | (2) | 2 | 1 | 44 |
| Net profit/(loss) for the period | (699) | (1,053) | (583) | 875 |
| Basic and diluted profit/(loss) per share | ($0.02) | ($0.03) | ($0.02) | $0.03 |
| | | | | |
| Total assets | 30,687 | 29,454 | 28,366 | 27,361 |
| Total current liabilities | (16,127) | (14,422) | (12,395) | (11,459) |
| Total non-current liabilities | (192) | (190) | (187) | (185) |
| Shareholders' equity | (14,368) | (14,842) | (15,784) | (15,717) |

### Review of Q2 2015 results

***Net profit***
The net profit of $1.6 million (Q1 2015: $1.9 million) was primarily on account of a gain on the derivative liabilities of $2.5 million offset by $0.9 million of administrative expenditure.

***Total assets***
Total assets increased by $4.1 million compared to Q4 2014, to $40.0 million following an increase in the value of the Plant asset of $3.6 million (including non-cash items of $1.4 million), a net $2.0 million investment in the San José mine (after deduction of $0.5 million of revenue for lead silver concentrate), and a $0.7 million increase in trade and receivables offset by a decrease of $2.1 million in cash and $0.1 million decrease in inventories.

***Total non-current liabilities***
Total non-current liabilities were $21.7 million made up of $11.8 million relating to the convertible loan note held by Quintana AGQ Holding Co. LLC ("Quintana Holding Co."), $9.0 million for the non-current element of the derivative liability relating to the BMPA and $0.9 million for the provision for mine closure. This amount would only be payable if the mine were closed; it covers decommissioning, reclamation and rehabilitation, and is based on an estimated total cost of $1.4 million and a discount rate of 5%.

***Shareholders' equity***
Shareholders' equity increased by $2.3 million compared to Q4 2014. This was a result of the $3.5 million net profit for the period offset by the loss in foreign exchange reserves of $1.2 million.

***Q2 2015 v Q1 2015***

The net profit for Q2 2015 of $1.6 million was $0.3 million lower than Q1 2015 due to a gain in Q2 2015 $0.5 million lower than the gain on derivative liabilities than the previous quarter, offset by a decrease of $0.2 million in administrative expenses.

Total assets increased by $0.6 million to $40.0 million compared to Q1 2015 following an increase in the value of the Plant asset of $1.9 million in (including non-cash items of $0.7 million), a $0.6 million investment in the San José mine, a $0.2 million increase in trade and receivables offset by a decrease of $1.6 million in cash.

***Q1 2015 v Q4 2014***

The net profit for Q1 2015 of $1.9 million was $4.9 million higher than Q4 2014 due to a $3.2 million increase in the gain on derivative liabilities and the absence of $1.7 million in non-recurring transaction costs incurred in Q4.

Total assets increased by $3.5 million to $39.4 million compared to Q4 2014 following a $0.4 million increase in inventories, increase in the value of the Plant asset of $1.7 million in (including non-cash items of $0.7 million), a $1.3 million investment in the San José mine, a $0.5 million increase in trade and receivables offset by a decrease of $0.4 million in cash.

***Q4 2014 v Q3 2014***

The net loss for Q4 of $3.0 million was $1.7 million lower than Q3 mainly due to the transaction costs incurred in Q4, comprising of: $0.7 million in fees paid in respect of the extension of the convertible loan note held by Platinum Long Term Growth VIII, LLC ("Platinum") and $1.0 million in transaction costs in respect of the financing package with Quintana Holding Co. and Quintana Streaming (together, the "Quintana Financing"), of which $0.7 million were non cash-expenses for the fair value of warrants apportioned to the derivative liability in respect of the convertible loan note held by Quintana Holding Co. (the "Quintana Note").

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

***Q3 2014 v Q2 2014***

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

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

***Q2 2014 v Q1 2014***

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

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

***Q1 2014 v Q4 2013***

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

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

***Q4 2013 v Q3 2013***

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

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

***Q3 2013 v Q2 2013***

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

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

## LIQUIDITY, CAPITAL RESOURCES AND WORKING CAPITAL

At 30 June 2015, the Company had cash and cash equivalents of $0.8 million (31 December 2014: $2.8 million) and working capital of $0.3 million (31 December 2014: working capital deficiency of $0.4 million).

Cash and cash equivalents decreased $3.5 million since Q4 2014 as a result of $3.0 million used in operating activities, $2.3 million investment in the refurbishment of the Plant, $3.2 million investment in mine development at the San José vein, offset by proceeds from sale of silver concentrate of $0.5 million and proceeds of $5.9 million from drawdowns under the BMPA.

### Working capital – 30 June 2015

As at 30 June 2015, the Company had working capital of $0.3 million (31 December 2014: net current liabilities of $0.4 million). The items of working capital and changes compared to 31 December 2014 are as follows:

***Current assets***

- cash and cash equivalents of $0.8 million (31 December 2014: $2.8 million);
- trade and other receivables of $2.8 million (31 December 2014: $2.0 million). $2.1 million of the outstanding balance relates to the IVA (government sales tax) owed to Arian which is in the process of being recovered together with $0.2 million owed by Siberian Goldfields Ltd;
- inventories of $1.4 million (31 December 2014: $1.5 million) relates to stockpiled ore held at cost relating to production at the San José project.

***Current liabilities***

- trade payables of $1.6 million (31 December 2014: $1.6 million).
- convertible note liability of $0.3 million (31 December 2014: $nil) relates to the Quintana Note.
- derivative liabilities of $2.8 million (31 December 2014: $5.2m), being the sum of the $1.0m current element of the derivative liability relating to the Quintana Note, and $1.8m relating to the current derivative liability of the BMPA.

### Capital resources

***Quintana financing***

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

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

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

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

The BMPA has a 50 year term, which can be extended for 10 years at a time, at the discretion of Quintana Streaming. The Group has the right to buy-back 50% of Quintana Streaming's rights to the San José base metal production within a 3 year period for $10.6 million. Under the terms of the BMPA, funds will be advanced to the Company upon the achievement of certain operational milestones. Should the Company fail to meet one or more of the milestones, it would not receive the full amount of funds that would otherwise be expected from Quintana Streaming.

At 30 June 2015, $2.0 million remained available to draw down under the BMPA. A further $1.6 million was drawn down under the BMPA in July 2015, reducing the available balance to $0.4 million (see ***Subsequent events*** section).

### *Standby Equity Distribution Agreement*

The Company announced on 27 September 2012 it had signed a three year £5 million standby equity distribution agreement with YA, an investment fund managed by Yorkville Advisors Global, L.P ("Yorkville"). 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% 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.

As at 30 June 2015, £2.1 million remained available to draw down on this facility.

### *Share options*

As at 30 June 2015, the following share purchase options were outstanding, each entitling the holder to acquire one common share of the Company:

2,106,000 share purchase options with exercise prices ranging from £0.325 to £4.925 or C$0.576 to C$7.90 expiring on various dates up to January 2020.

### *Off-balance sheet arrangements*

The Company has no off-balance sheet arrangements.

## FUTURE OUTLOOK

The Company is continuing the phased commissioning of its recently refurbished processing plant. This, together with the planned ramp-up, albeit delayed in the immediate term, to its maximum projected processing capacity of 1,500tpd over the coming months, and achievement of consistent production thereafter sees the Company firmly on the path to achieving its long-term strategy.

The Plant is expected to deliver substantial cost savings against the Company's previous toll milling operations. With reduced operating costs, the Company should enjoy significantly higher operating margins than would have been achieved in the past under the same conditions.

The price of silver continued to decline during 2015. Whilst the directors believe the price of silver will rise significantly in due course, continued short-term commodity price weakness inevitably reduces the cash generated by operating activities and increases the Company's financing requirements; the Board is therefore taking the steps necessary to strengthen the Company's financial position.

## CRITICAL ACCOUNTING ESTIMATES

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

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

### Going concern

The Financial Statements have been prepared on a going concern basis. The going concern basis assumes that the Company will continue for the foreseeable future such that it is able to resume operations and to realise its assets and discharge its liabilities and commitments in the normal course of business.

At 30 June 2015 the Company had net current assets of $0.3 million. $1.0 million of the current derivative liability balance related to the valuation of the conversion option of the Quintana Note (see note 7). This item will not be settled in cash and, when added back, resulted in a net current asset position of $1.3 million.

In October 2014, the Company entered into a $32 million financing package, which was expected at that time to complete the Group's funding requirements for the development of the San José project and to enable the Group to achieve full-scale commercial production. Details of the financing package are set out in note 7.

Included in the Group's cash flow forecast are assumptions over the ability to draw down funds available to it under the Base Metals Purchase Agreement ("BMPA") with Quintana San Jose Streaming Co. LLC ("Quintana Streaming"), which is subject to the Group achieving certain operational milestones. Should the Group fall into default, Quintana Streaming may elect to terminate the BMPA and require the Group to repay the uncredited balance of the upfront payment under the agreement. At the time of releasing this report it was the directors' opinion that the conditions surrounding the drawdown milestones and operational covenants under the BMPA were expected to be satisfied. At 30 June 2015, $2.0 million remained available to draw down under the BMPA. A further $1.6 million was drawn down in July 2015 as detailed in note 11 to the Q2 2015 financial statements, reducing the remaining balance, to $0.4 million.

First silver-lead concentrate sales revenues were received in April 2015 and commissioning of the Plant remained underway at 30 June 2015 and was expected to continue during the third quarter of 2015.

There are significant risks associated with establishing any new mining and processing operation, the realisation of which, could delay profitable commercial production and increase working capital requirements. The Company seeks to manage these risks by employing a proven processing method, completing studies over the critical aspects of the project to ensure that the variables and operational risks are understood, employing a management team and contractors with suitable capabilities and experience, and building into its business model, contingency to manage events such as deterioration in market conditions or operational difficulties.

Despite the application of the aforementioned measures, the Company's working capital requirements have increased beyond earlier expectations and it will therefore be necessary for additional funds to be raised.

The Group has been successful in raising finance in the past but no assurance can be given that the Group will be able to raise funds in future, especially in view of the current volatile market conditions and weak silver price. If the Group is unsuccessful in raising funds in future, it will not be able to meet its on-going working capital and project expenditure requirements; in such circumstance, this would constitute a material uncertainty casting significant doubt on the Group'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.

After full consideration of the factors above, the directors believe the Company has access to adequate financial resources in order to prepare the Company's financial statements on a going concern basis.

### Resource properties, deferred exploration and development costs

All costs related to the exploration of mineral properties are capitalised until either the properties are brought into production, at which time they are amortised over the estimated life of the project, or until the properties are sold, or title rights allowed to lapse, or are abandoned or determined not to be commercially viable, at which time they 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 plan allows Group directors, officers, employees and consultants to acquire shares of the Company. The fair value of share purchase 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 share purchase options granted is measured using the Black-Scholes model, taking into account the terms and conditions upon which the share purchase options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share purchase 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 could be significant.

### Inventories

Concentrates and stockpile 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.

### Derivative liability – Convertible Note

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

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

### Derivative liability – BMPA

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

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

### Warrant reserve

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

## FINANCIAL RISK FACTORS

### 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.

### *Currency risk*

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

### *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.

## Operational performance

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

## 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 30 June 2015, the Company had cash of $0.8 million and receivables of $2.8 million to settle accounts payable of $1.6 million. The Company's accounts payable have contractual maturities of less than 30 days and are subject to normal trade terms. It will be necessary for the Company to manage a negative working capital during Q3 2015 until additional funds have been raised. Once commissioning has resumed, it is expected the operating accounts payable will be settled through both the additional funds raised together with cash generated from the sale of concentrates.

## 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.

## 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' business are subject to a number of 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 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.

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

### Requirement of additional financing

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

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, the loss of a concession, or even bankruptcy of the Company.

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.

### 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. Sustained low metal prices may 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 US dollar and other currencies, supply and demand and political and economic conditions, may have a significant influence on the market price of the Company's shares.

### 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 or obligations 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 may be subject to prior unregistered agreements, transfers or other claims and title may 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. Save in respect of the San José project, 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 expenditures 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 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 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 may result in the Company not receiving an adequate return on invested capital.

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

### Limited operating history

The Company has a limited history of producing revenue and its ultimate success will depend on its ability to generate positive cash flow from its concessions in the future. The Plant has not yet been fully commissioned, and the Company has not earned any material profits to date; 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 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.

### Mineral resource estimates

The Group's mineral resource estimate is not a statement of economic reserve and no assurances can be given that the indicated levels of minerals will be produced. Such estimates are expressions of judgement based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While the Company believes that the mineral resource estimates 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.

### 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 may not provide adequate coverage for losses related to these or other risks. The Company's insurance policies do not cover all possible risks that may arise in relation to the Company's exploration activities and production facilities and as a result the Company may 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 general availability of contractors or 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 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.

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 core 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 each of the jurisdictions where the Company operates, holds its major assets, or has any other presence. 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.

## TRANSACTIONS WITH RELATED PARTIES

Transactions between the Company and related parties during the three and six months ended 30 June 2015 are disclosed below:

### Transactions with key management personnel

On 15 October 2014 the Group executed a $32 million joint financing package with Quintana Holding Co. and Quintana Streaming (the "Quintana Financing"). As at 30 June 2015 Arian held the following balances in relation to the Quintana Financing; convertible note $12,080,000 (31 December 2014: $10,666,000), and derivative liabilities $11,816,000 (31 December 2014: $11,439,000). Interest of $1,414,000 (30 June 2014: $nil) was capitalised as part of the plant during the period ended 30 June 2015.

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

During the six months to 30 June 2015, $19,041 (30 June 2014: nil) was paid to Quintana Resources Holdings in respect of the non-executive director fees payable relating to services provided by Oliver Rodz and David Laing.

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 period ended 30 June 2015 amounts to $10,000 (30 June 2014: $10,000). As at 30 June 2015, $235,000 (31 December 2014: $225,000) was owed to Arian by SGL.

A.J. Williams is a director and shareholder of SGL.

The Dragon Group Ltd charged the Company a total of $77,172 (30 June 2014: $64,803) which 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 30 June 2015, $13,271 (31 December 2014: $15,742) was outstanding.

Key management personnel participate in the Company's share option programme.

## 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.

Other risks and uncertainties have been detailed in the Company's 2014 Annual Report which can be accessed on SEDAR at www.sedar.com or the Company's website at www.ariansilver.com.

## 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, statements relating to the mineral resource estimates, statements regarding the contract mining and the milling operation at 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, including its ability to access and/or acquire production facilities 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, the performance of the 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.

Any mineral resource estimate 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.

## OTHER INFORMATION

### 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, www.ariansilver.com.

### Disclosure of outstanding share data

The following table sets out the outstanding securities of the Company as at 27 May 2015:

| | **Number in issue** |
|---|---|
| Common shares of no par value | 33,907,448 |
| Share options | 2,106,000 |
| Share warrants | 12,151,926 |

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

The Company has outstanding loan notes representing $16.5 million, which are convertible at the option of the holder at any time up to and including 29 October 2017 into fully paid and non-assessable Common shares of the Company at a price equal to C$0.7567 each. As at 30 June 2015, this represented an aggregate of 27,120,153 common shares of the Company.