# ARIAN SILVER CORPORATION

Management's Discussion and Analysis of Results
**December 31, 2006 and 2005**
(in thousands of U.S. dollars)

## COMPANY INFORMATION

| | |
|---|---|
| **DIRECTORS** | Anthony (Tony) J. Williams, *Chairman and Director*<br>James (Jim) T. Williams, *Chief Executive Officer and Director*<br>James S. Cable, *Chief Financial Officer and Director*<br>James A. Crombie, *Director*<br>Thomas A. Bailey, *Director*<br>David W. Cohen, *Director* |
| **COMPANY SECRETARY** | Graham A. Potts |
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| **REGISTERED OFFICE** | Palm Grove House<br>P.O. Box 3190<br>Road Town, Tortola<br>British Virgin Islands |
| **NOMINATED ADVISER** | Grant Thornton UK LLP<br>Grant Thornton House<br>Melton Street<br>Euston Square<br>London, NW1 2EP |
| **BROKER** | Haywood Securities (UK) Ltd<br>Ryder Court<br>14 Ryder Street<br>London, SW1Y 6QB |
| **AUDITORS** | PKF (UK) LLP<br>Farringdon Place<br>20 Farringdon Road<br>London, EC1M 3AP |
| **REGISTRAR** | Computershare Investor Services<br>100 University Avenue<br>Toronto, Ontario, M5J 2Y1<br>Canada |
| **STOCK EXCHANGES** | The 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 Discussion and Analysis ("MD&A") has been prepared based on information available to Arian Silver Corporation ("Arian" or the "Company") as at April 27, 2007 and compares its 2006 financial results with those of the previous year. This MD&A should be read in conjunction with the Company's audited Consolidated Financial Statements and the related notes. The Consolidated Financial Statements and the related notes have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). All dollar amounts referred to in this discussion and analysis are expressed in United States dollars, unless specifically stated otherwise.*

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING AND CONTROLS

The Consolidated Financial Statements of the Company for the year ended December 31, 2006 have been prepared by management in accordance with International Financial Reporting Standards ("IFRSs") and have been approved by the Company's Board of Directors (the "Board"). Previous interim and annual financial statements have been prepared in accordance with UK Generally Accepted Accounting Principles ("UK GAAP"); No re-statement of comparative information was necessary for purposes of the transition to IFRS. The integrity and objectivity of these Consolidated Financial Statements are the responsibility of management. In addition, management is responsible for ensuring that the information contained in this MD&A is consistent, where appropriate, with the information contained in the Consolidated Financial Statements.

In support of this responsibility, the Company's 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 Consolidated Financial Statements may contain certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis to ensure that the Consolidated Financial Statements are presented fairly in all material respects.

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

## EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. As at the end of the period covered by this MD&A, management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities laws. Based on that evaluation, the Chief Executive

Officer and the Chief Financial Officer have concluded that, as of the end of the period covered by this MD&A, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings of the Canadian Securities Administrators) and other reports filed or submitted under Canadian securities laws are recorded, processed, summarised and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Company, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

**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 Consolidated Financial Statements for the year ended December 31, 2006, which are available on SEDAR at www.sedar.com. The Consolidated Financial Statements have been prepared in accordance with IFRSs. The functional currency of the parent company, which is managed in London, is deemed to be the Pound Sterling under IFRSs and the Company's assets are primarily located in Mexico where the functional currency is the Mexican Peso. The Consolidated Financial Statements continue to be presented in US dollars ("USD") and all monetary values are expressed in USD unless otherwise indicated.

The Company (formerly Hard Assets Inc.) was incorporated in the province of British Columbia, Canada, on May 4, 2004. On July 14, 2004 the Company was admitted to trading on the AIM Market of the London Stock Exchange ("AIM"). On May 24, 2006 the Company was continued to the British Virgin Islands in connection with its merger ("Merger") with Arian Silver Corporation Limited ("ASCL"), whereupon the Company changed its name to Arian Silver Corporation. On July 21, 2006 the Company's common shares were listed and commenced trading on the TSX Venture Exchange ("TSX-V").

The Merger has been accounted for in accordance with the reverse take over method of accounting. Under this method, ASCL has been identified as the acquirer and accordingly the consolidated entity is considered to be a continuation of ASCL.

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

**OVERALL PERFORMANCE**

In the year to December 31, 2006 the Company lost $3.6 million after expensing the fair value of options granted of $0.9 million and before the exceptional write off relating to goodwill arising on the merger with ASCL of $13.4 million. There was no income other than interest from short term cash deposits of $71,000. The Company continued to incur administrative costs in its Mexican operations and in respect of corporate overheads, which included costs incurred in connection with the admission to the AIM and TSX-V stock exchanges.

In the year to December 31, 2006, intangible assets increased by $0.9 million to $1.2 million in respect of the Mexican projects and tangible assets increased by $0.1 million. Cash of $5.4 million was received as a result of share issues.

**Selected Financial Information**

The following is a summary of selected financial information for the years ended December 31, 2006 and 2005:

| | **2006** | 2005 |
|---|---|---|
| | **$'000s** | $'000s |
| Total Revenues | **71** | 15 |
| Net Loss before exceptional items | **3,587** | 1,029 |
| Net Loss for the period | **17,033** | 1,029 |
| Basic and diluted loss per share | **$(0.24)** | $(0.07) |
| Total Assets | **4,802** | 1,786 |
| Shareholders' equity | **4,423** | 1,577 |
| Cash dividends declared per share | **-** | - |

**OVERVIEW OF OPERATIONS**

During the period, exploration work was carried out at the Calicanto Group of properties and at the Ojocaliente Group, namely; San Celso, Donovan 1, Donovan 2 and the Africana properties in the Zacatecas State of Mexico. A new concession named "Misie" was acquired adjacent to the Calicanto concessions and an agreement was reached in principle to purchase the "Missie" concession, which is adjacent to "Misie". In addition, property visits were undertaken to the Tepal project in Michoacán State, Mexico. Several tailings projects and new hard-rock properties were also investigated.

***Qualified Person***
*Mr. Jim Williams, the Company's Chief Executive Officer and a "qualified person" as such term is defined under National Instrument 43-101, has reviewed and approved the technical information in this document.*

**Calicanto Group, Zacatecas**
The Calicanto Project consists of three adjacent mining concessions totalling approximately 45 hectares ("Ha") namely, Calicanto, Vicochea I and Vicochea II. In addition, Arian was recently granted the Misie and Missie properties, which are adjacent to the Calicanto Project. The Calicanto Project and the Misie and Missie properties (see under "Other Properties" below), collectively referred to as the "Calicanto Group", together total approximately 74 Ha. The concessions are located in the historic mining district of Zacatecas and are completely surrounded by other concessions. The Calicanto Group of concessions comprises at least four main mineralised vein systems.

Prospecting work at the Calicanto Group commenced and the first phase of sampling was completed, with assay results obtained from laboratories in Mexico and Canada. Underground exploratory development work continued along the strike of the vein.

The tunnel itself averages approximately 4-5 metres high and 5-6 metres wide. The ramp was extended to a total of 80 metres, significantly widened and deepened as material was excavated from high grade zones. Access was gained to historic mine workings to enable surveying and chip and channel sampling. Environmental permitting required for drilling was obtained within the stipulated time frame. Phase-one drilling was completed following the award of the drilling contract for 3,000 metres.

Initial reconnaissance sampling was conducted on the newly acquired adjacent Misie property. The property was surveyed, and a number of shafts, trenches and prospects on the Sorpresa structures were identified. A new ramp, along the San Buenaventura vein was initiated and extended to 67 metres. A.C.A. Howe, independent consultants, visited the project and completed a Canadian National Instrument 43-101 technical report which is dated March 20, 2006 and entitled "Technical Report on the Calicanto and San Celso Projects, Zacatecas, Mexico." A copy of this report can be obtained from SEDAR at www.sedar.com.

The following schedule shows project expenditure:

| | **2006** | 2005 |
|---|---|---|
| | **$000's** | **$000's** |
| **Calicanto Group: Zacatecas** | | |
| Mining & option rights | **126** | 1 |
| Drilling & exploration | **225** | 9 |
| Geology – logging & sampling | **16** | 1 |
| Administration | **11** | 1 |
| Total | **378** | 12 |

A two phase budget totalling $1,666,320 has been proposed by Arian for the Calicanto Property. Phase-one diamond-drilling, which focused on the highest priority targets, leaving secondary targets for phase-two, was completed on time and within budget. Remote sensing and ground geophysics are intended to develop, or further define, additional targets for the second phase of exploration. The first phase of work, totaling $554,625, included 3,000 metres of diamond-drilling as well as the ground geophysics and remote sensing. Phase-two exploration is planned to include follow-up of phase-one results on the primary targets as well as work on other known targets and targets resulting from phase-one geophysics and remote sensing. This phase of work totals $1,111,695 and consists of 5,000 metres of diamond-drilling and a follow-up geophysical study (Induced-Polarisation). Each phase of drilling is to be preceded by environmental permitting.

The expenditure described above is discretionary and not yet committed as it is dependent on timing and availability of funds.

**San Celso; Ojocaliente**

The San Celso Project consists of three contiguous mining concessions totalling 88.58 Ha. The concessions are located in the historic mining district of Pánfilo Natera-Ojocaliente and are surrounded by other concessions to the south and west. The San Celso Project is owned outright by Arian. Rehabilitation and re-laddering of the San Celso shaft and underground workings proceeded. Chip and channel samples were taken across the faces of the veins, foot walls, hanging walls and country rock areas throughout all accessible levels of the workings. Samples were sent for treatment to laboratories in Mexico and Canada. A small area of formerly inaccessible workings in the San Celso Mine was opened up and a number of chip and channel samples were taken from across the vein. Underground geological mapping was completed in the Las Cristinitas Mine. A number of new areas were accessed and sampled.

A third shaft was accessed, laddered, sampled and mapped. This shaft is 80 metres west of the San Celso workings and appears to access the lateral extension of the San Celso vein. Concurrently with the underground mapping, a small geochemical survey was conducted, with a number of soil and ant-hill samples taken from the property. Surface geological mapping was completed. A number of new shafts and prospects were discovered and exposed vein material was sampled. Surveying of the property was completed and a surface ownership map prepared. Fencing has been erected around the open shafts, old stopes and prospect pits on the properties. A surface ground magnetic program has been planned and lines have been cut in preparation. A.C.A. Howe visited the property and prepared a technical report which is dated March 20, 2006 and entitled "Technical Report on the Calicanto and San Celso Projects, Zacatecas, Mexico." A copy of this report can be obtained from SEDAR at www.sedar.com.

The following schedule shows project expenditure:

| | **2006** | 2005 |
|---|---|---|
| | **$'000s** | $'000s |
| **San Celso; Ojocaliente** | | |
| Mining & option rights | **48** | 16 |
| Drilling & exploration | **5** | 3 |
| Geology – logging & sampling | **22** | 14 |
| Administration | **23** | 1 |
| Total | **98** | 34 |

A two phase budget totalling $1,495,600 has been proposed by Arian for the San Celso Property. Phase-one diamond-drilling will focus on the highest priority targets, leaving secondary targets for phase-two. Remote sensing and ground geophysics are intended to develop, or further define, additional targets for the second phase of exploration. The first phase of work, totalling $754,300, consists of 3,000 metres of diamond-drilling as well as the ground geophysics and remote sensing study. Phase-two exploration includes follow-up of phase-one results on the primary targets as well as work on other known targets and targets resulting from phase-one geophysics and remote sensing. This phase of work, totalling $741,300, consists of 3,000 metres of diamond-drilling and follow-up ground magnetometry. Each phase of drilling is to be preceded by environmental permitting, as is the ground geophysical programme. Arian plans to continue underground sampling and mapping during both phases of exploration.

The expenditure described above is discretionary and not yet committed as it is dependent on timing and availability of funds.

**Tepal Project; Michoacán**

On August 9, 2006 the Company announced that it had entered into an agreement to acquire the exclusive option over 100% of the Tepal polymetallic project in Michoacán State, Mexico. The option agreement is for a five-year term. Assuming the option is exercised in full, the Company will pay Minera Tepal $5 million in instalments and will grant Minera Tepal a Net Smelter Return ("NSR") of 2.5%. The Company has the right to withdraw from the option agreement at any time during the five-year period without penalty and has right of first refusal to buy out the NSR for an unspecified amount.

Arian has recently increased its landholdings in the Tepal area to approximately 14,000 Ha. Initial investigation by Arian indicates that the Tepal Project consists of four gossanous polymetallic deposits containing copper, gold and silver with potential for additional areas of mineralisation.

The Tepal Project was previously explored in the 1970s and the 1990s by a number of companies including INCO, Teck and Hecla. The historical data indicates 78.82 million tonnes of mineralisation grading 0.5 grammes/tonne (g/t) gold and 0.25% copper, equating to 1.23 million contained ounces of gold and 432.63 million contained pounds of copper. The historical data also indicates that there are potentially higher-grade zones within these mineralised zones.

Both INCO and Teck were interested in the Tepal Project as a copper-gold porphyry target, regarding silver only as a by-product. Hecla's primary focus on the Tepal Project was as a large tonnage, low-grade gold target.

The Tepal Project has not been systematically tested for silver by previous owners, as the silver market had been subdued, with a price averaging less than $6 an ounce during the 1970s and 1990s. The management of Arian believes that potentially significant quantities of silver, as well as other metals, could also be present at the Tepal Project.

The Project was initially explored in the early 1970s by INCO who identified the area as having potential to host a porphyry copper-gold deposit. INCO drilled 21 diamond drill holes, totalling 3,247 metres and identified significant mineralisation at the North Zone.

In 1992, Teck acquired the Tepal Project, drilled an additional 50 Reverse Circulation ("RC") holes, totalling 8,168 metres, and discovered a second area of mineralization at the South Zone. Spacing between drill holes was typically 50 or 100 metres. In 1994 Teck completed a resource estimate of 78.82 million tonnes grading 0.5 g/t Au and 0.25% Cu. However, Teck only assayed for gold and copper. Teck used polygonal block estimates to calculate its resource estimate. Intercept intervals were based on combined gold and copper values calculated to a dollar value equivalent using gold at US$375/oz and copper at US$0.80/lb. Two cut-off values, greater than $4/ton and greater than or equal to $8/ton over a minimum of 6.0m were used. A specific gravity of 2.6 g/cm$^3$ was used.

Subsequently Hecla owned the Tepal Project. Hecla collected nearly 900 rock chip samples on a 50 metres by 50 metres grid, re-analysed 298 pulps from the Teck RC drilling programme and drilled a further 17 RC holes, totalling 1,506 metres. Hecla's focus was exclusively on gold potential. In 1997, Hecla estimated a total historic resource of 9.063 million tonnes averaging 0.90 g/t Au containing 262,359 ounces of gold. However, Hecla used a specific gravity of 2.2 g/cm$^3$, which is substantially lower than the 2.6 g/cm$^3$ used by Teck. Hecla used polygonal block estimates to calculate its resource estimate, using drill sections constructed at intervals ranging from 50 metres to 90 metres. Cut-off grades of 0.5 g/t Au and 0.30 % Cu were used in the estimate although there is no copper resource in the Hecla material.

Silver was assayed for by both INCO and Hecla and returned some interesting values.

Arian has obtained environmental permits and all relevant permissions to conduct exploration on the Tepal Project properties, without payments or royalties to be made to the landowners. Phase-one exploration has started with remote sensing and aerial mapping surveys currently underway. A 3,000 metre drilling programme has commenced on the property.

Two visits were undertaken to the Tepal property by Arian personnel in July 2006. The objective of these trips was to locate new concessions and undertake geological and environmental reconnaissance work over the property. For Tepal all historical drill-hole data has now been entered into the Geosoft database. Phase-one of the drilling programme is currently underway. A.C.A. Howe visited the project and completed a technical report which is dated September 18, 2006 and entitled "Technical Report on the Tepal Project, Michoacán, Mexico." A copy of this report can be obtained from SEDAR at www.sedar.com.

The following schedule shows project expenditure:

| | **2006** | 2005 |
|---|---|---|
| | **$'000s** | $'000s |
| **Tepal** | | |
| Mining & option rights | **257** | - |
| Drilling & exploration | **17** | - |
| Geology – logging & sampling | **10** | - |
| Administration | **10** | - |
| Total | **294** | - |

**San Jose Project, Ojocaliente**

In December 2006 the Company acquired an exclusive option over 100% of the San Jose silver-base metal property in Zacatecas State. The property lies 55 kilometres to the South-East of Zacatecas and covers two mining concessions totalling approximately 4,300 Ha. Assuming the option is exercised in full, the Company will pay $1.5 million in instalments over three years and a 2% NSR although the Company has the right to buy the NSR out for $1 million.

The mine was previously operated by Zimapan (Peñoles), 1973-1991, and Monarca, 1993-2001, extracting over 2 million tonnes of ore averaging 250g/t silver. An existing underground development ramp extends 3 kilometres along the San Jose vein.

The western portion, over 4 kilometres of strike length, of the San Jose vein remains unexploited as mining activity focused on the eastern part of the vein. An additional two main vein structures are exposed on the property, which have not been explored by modern systematic methods.

The following schedule shows project expenditure:

| | **2006** | 2005 |
|---|---|---|
| | **$'000s** | $'000s |
| **San Jose** | | |
| Mining & option rights | **70** | - |
| Drilling & exploration | **-** | - |
| Geology – logging & sampling | **1** | - |
| Administration | **-** | - |
| Total | **71** | - |

**Other properties**

Most of the Company's concessions are located in the Zacatecas State and can be broadly grouped into three geographical zones, namely the Zacatecas area where the Calicanto Group of projects is located, Ojocaliente area where the San Celso Project is located, and the Sombrerete area.

**Zacatecas Area, Zacatecas State**

There are two groups of concessions in the Zacatecas district: the Calicanto Group of projects which now comprises the recently acquired Misie and Missie concessions, which lie just to the north of Zacatecas, and Los Campos just to the south. There are a number of "brown-field" sites where some past exploration has been undertaken and generally there is some mine infrastructure in place. All these properties are on different vein systems.

**Misie and Missie Properties**

On August 25, 2006 Arian was awarded 29 Ha of mining concession by the Mexican Dirección General de Minas ("DGM"). The mining claim, called "Misie" lies adjacent to the three Calicanto mining claims under option to Arian.

The property has been mined historically and contains six mine shafts and numerous prospects and trenches. Together with the Calicanto Project the area of the Calicanto Group Project comprises 74 Ha.

The Misie property was mined until the early 1990s when mining ceased following a downward trend in the price of silver. The Misie property hosts a number of structures. The property also covers the South-West extension of the San Buenaventura vein.

On August 14, 2006 Arian purchased the Missie concession for $1,725 from Gerado Gonzalez. The Missie concession consists of 4.4 Ha and is contiguous with the Misie concession that Arian acquired from DGM. It covers a number of small prospect pits and old mine workings on the Misie vein system. No recent work has been done on the property. This new addition to the Calicanto property has expanded the property to 78 Ha.

**Los Campos**

The Los Campos project comprises four concessions wholly owned by Arian, covering an area of approximately 500 Ha located on the south side of the city of Zacatecas. The target area can be easily accessed within 15 minutes drive from the Group's offices via a paved bypass road between Guadalupe and Zacatecas. The target area incorporates the Los Campos, La Virgen, Dolka and San Vicente mines, which were productive in colonial times. Future exploration will be to depths below levels of colonial mining and portions of the epithermal veins have yet to be evaluated by drilling.

In addition, a currently unknown quantity of mineralised dump material exists at various surface localities within the area covered by these concessions, which Arian plans to evaluate.

**Ojocaliente Area, Zacatecas State**

The Ojocaliente area covers a number of geographically separate silver vein (epithermal) and replacement (skarn) occurrences about 50 kilometres (approximately one hour's drive) South-East of Zacatecas, including the San Celso Project.

**La Africana**

The La Africana and Ampliaçión El Cabezon concessions wholly owned by Arian, cover an area of approximately 15 Ha and are situated about 3 kilometres South-West of Panfilo Natera, just off the paved highway. The concessions cover a small hill, with numerous small shafts and dumps and silver vein mineralisation within the dump material. The well known Bilbao skarn replacement body is situated to the north as are other vein systems.

At La Africana, Arian has installed laddering down one of the mine shafts to allow access to the Africana workings. To date a total of 50 samples have been collected and the workings have been mapped and surveyed.

Underground sampling was completed and all assay results have been received. Surface surveying and surface geochemical (soil and ant-hill) sampling of the property was completed. Environmental reconnaissance was carried out on the property in advance of preparations for surface trenching program. Fences were erected around a number of shafts on the property.

**Donovan 1**

The Donovan 1 concession, which is wholly owned by Arian, covers approximately 42 Ha of agricultural land near the small settlement of Rancho Nuevo, situated between Panfilo Natera and El Morro. Small sub-crops and float boulders of epithermal and skarn hosted mineralisation have been found. Little or no previous modern exploration has been done on this prospect.

During May to June 2006 a soil sampling programme, geological mapping and geophysical survey were carried out over the Donovan 1 property. A number of mineralised structures have been identified.

Surface geological mapping was completed on the property and numerous prospect pits that explore mineralised structures were identified. These pits were mapped, sampled and surveyed. Fences were erected around the more substantial prospect pits. A regional reconnaissance survey was conducted and a surface geochemical (soil and ant-hill) sampling was completed. A ground magnetic program was conducted over the property. Surveying was completed and a surface ownership map prepared.

**Donovan 2**

The Donovan 2 concession, which is wholly owned by Arian, covers an area of approximately 746 Ha. Initial reconnaissance has been undertaken and field observations indicate it has the potential to host volcanogenic massive sulphide mineralisation similar to the San Nicolas deposit nearby.

A soil sampling programme was initiated over the Donovan 2 concession in March 2006. Soil samples were collected over two magnetic anomalies and around a copper prospect.

A surface ownership map was prepared and surveying is ongoing. A ground magnetic program was conducted over the property during the year. Preparations are underway for a soil sampling program on the property.

**Navidad**

This concession, which is wholly owned by Arian, covers an area of approximately 100 Ha near the village of Genaro Codina. To date no exploration has been carried out other than for initial reconnaissance.

**Sombrerete Area, Zacatecas State**

In the Sombrerete Area Arian has an option over four concessions with an aggregate area of approximately 250 Ha (two at Reyna Maria and two at Reyna Victoria). To date no exploration has been carried out other than initial reconnaissance.

**Exploration and development commitments as at December 31, 2006**

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

(a) In order to maintain the Company's interest in the Calicanto property, the Company is required to pay, over the period to June 30, 2011 $380,000 in option payments. At December 31, 2006 $124,000 had been paid, leaving a remainder of $256,000 to be paid.

(b) In order to maintain the Tepal option agreement in good standing the Company is required to pay the vendor $5 million in instalments over the five-year period through to June 2011 and will also grant the vendor a NSR of 2.5%. At December 31, 2006 $256,000 had been paid.

(c) In order to maintain the recently acquired San Jose option agreement in good standing the Company is required to pay the vendor $1.5 million in instalments over the three-year period through to 2009 and will also grant the vendor a NSR of 2%. At December 31, 2006 $70,000 had been paid.

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

**Public financing**

Set out below are details of financing undertaken by ASCL or by the Company during the period.

On February 13, 2006 ASCL issued 400,000 common shares of $0.01 each at a premium of $0.49 per share to provide additional working capital.

On April 7, 2006 ASCL issued 4,000,000 common shares of $0.01 each at a premium of $0.49 per share to provide additional working capital. In settlement of agents' commission in respect of this placement, ASCL also issued 280,000 common shares of $0.01 each at a premium of $0.49 per share.

On May 24, 2006, the date of the Merger, the Company issued 48,899,200 common shares at an equivalent price of $0.36 per share to acquire 100% of the issued and outstanding share capital of ASCL. Under the reverse acquisition method of accounting it was deemed that 37,000,003 shares were issued in consideration for Hard Assets Inc, being its issued share capital immediately prior to the Merger.

On May 25, 2006 the Company issued 416,666 common shares at $0.50 per share in settlement of a corporate finance fee.

On July 3, 2006 the Company issued 300,000 common shares in relation to the exercise of share options at Cdn$0.12 per share

On September 29, 2006 the Company issued 7,000 common shares in relation to the exercise of share warrants at $0.175 per share.

On November 30, 2006 the Company issued 14,060,000 common shares at Cdn$0.25 per share by private placement raising Cdn$3,515,000 to provide additional working capital. In connection with this placement the Company issued 14,060,000 share purchase warrants exercisable for a period of one year at Cdn$0.42 and subject to accelerated exercise conditions at the Company's option.

## RESULTS OF OPERATIONS

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

### *Financial year ended December 31, 2006 compared to financial year ended December 31, 2005*

The Company continued to explore its projects in Mexico in the year, taking on new properties and commencing a significant drilling programme. Whilst the cost of exploration is capitalised as an intangible asset, there was an increase in associated administration costs. In the comparative year 2005, the Company was in the process of building up its team and establishing its offices in Mexico and the UK so costs were significantly lower. The loss for the year was $3.6 million before exceptional items (2005: $1 million), significant costs related to the expensing the fair values of share options granted of $0.9 million (2005: nil), legal and professional fees of $0.6 million (2005: $0.3 million) (excluding $0.8 million of such costs related to the acquisition of ASCL included in goodwill (2005: nil)) and salaries of $1.1 million (2005: ($0.4m). There was no income other than from interest from short term cash deposits of $71,000 (2005: $15,000). There was a loss on exchange of $0.1 million (2005: nil). There was an exceptional loss related to the extraordinary write off of goodwill arising on the merger with ASCL of $13.4 million (2005: nil).

## SUMMARY OF QUARTERLY RESULTS

| **Unaudited** | **2006** 4th Quarter $'000s | **2006** 3rd Quarter $'000s | **2006** 2nd Quarter $'000s | **2006** 1st Quarter $'000s |
|---|---|---|---|---|
| Total Revenues | 15 | 25 | 20 | 11 |
| Net loss before exceptional items | 953 | 777 | 611 | 1,312 |
| Basic and diluted loss per share | $(0.01) | $(0.01) | $(0.01) | $(0.03) |
| Net loss for the period | 953 | 777 | 14,025 | 1,278 |
| Basic and diluted loss per share | $(0.01) | $(0.01) | $(0.22) | $(0.03) |
| Total assets | 4,802 | 2,552 | 3,247 | 1,463 |
| Shareholders' equity | 4,423 | 2,144 | 2,838 | 1,463 |
| Cash dividend declared per share | - | - | - | - |

| **Unaudited** | **2005** 4th Quarter $'000s | **2005** 3rd Quarter $'000s | **2005** 2nd Quarter $'000s |
|---|---|---|---|
| Total Revenues | 2 | 7 | - |
| Net loss before exceptional items | 519 | 182 | 148 |
| Basic and diluted loss per share | $(0.01) | $(0.01) | $(0.01) |
| Net loss for the period | 519 | 182 | 148 |
| Basic and diluted loss per share | $(0.01) | $(0.01) | $(0.01) |
| Total assets | 1,780 | 850 | 887 |
| Shareholders' equity | 1,621 | 620 | 887 |
| Cash dividend declared per share | - | - | - |

***Fourth quarter 2006 vs. third quarter 2006***

Revenues were from bank deposit interest. The net loss in the period is after charging costs related to corporate overheads, including the fair value of share options vesting in the period and the administration of the Company's projects in Mexico. Shareholders' equity increased following the placement of $3.2 million of new common shares, offset by project expenditure and administration costs.

***Third quarter 2006 vs. second quarter 2006***
Revenues were from bank deposit interest. Administration expenditure in the quarter increased due to costs incurred in respect of the listing of the Company on the Canadian TSX-V exchange. The costs relate to corporate overheads, including the fair value of share options vesting in the period and the administration of the Company's projects in Mexico. The decrease in Shareholders' equity and cash over the previous quarter is a result of share issues arising from share options and warrant exercises in the period of $33,000 offset by administration and project expenditure.

***Second quarter 2006 vs. first quarter 2006***
The increase in Shareholders' equity and cash over the previous quarter is the result of the placement of $2 million of new common shares. The net loss increased as a result of costs associated with the Merger and re-listing on AIM. There was an exceptional loss resulting from the write off of goodwill of $13.4 million on the Merger in accordance with reverse take over accounting.

***First quarter 2006 vs. fourth quarter 2005***
The net loss for the quarter of $1.3 million included $0.9 million in respect of the fair value of share options granted. The decrease in the Shareholders' equity and cash over the previous quarter is a result of share placements in the period of $200,000 offset by administration and project expenditure.

***Fourth quarter 2005 vs. third quarter 2005***
The increase in Shareholders' equity over the previous quarter is the result of share placements in the period. The increase in the net loss is attributable to increased administration costs resulting from the establishment of the Company's office and operations in Mexico, its corporate office in London and recruitment of key staff. Cash of $1.1 million was received from an exercise of warrants during the fourth quarter.

***Third quarter 2005 vs. second quarter 2005***
The Company in Mexico was established at the end of the first quarter 2005 and expenditure there and in respect of corporate administration was at a low level, building during the second quarter and increasing further in the third quarter.

No financial statements have been prepared for earlier quarters.

## LIQUIDITY AND CAPITAL RESOURCES

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

The Company raises capital for its operations through the issuance of securities of the Company, proceeds received from the exercise of share options and share purchase warrants. Although the Company has been successful in the past in raising finance, there can be no assurance that any funding required by the Company in the future will be made available to it and, if such funding is available, that it will be offered on reasonable terms or that the Company will be able to secure such funding through third party financing or joint ventures. Furthermore, there is no assurance that the Company will be able to secure new mineral properties or projects or that they can be secured on competitive terms.

***During the year ended December 31, 2006:***
On February 13, 2006 ASCL issued 400,000 common shares of $0.01 each at a premium of $0.49 per share to provide additional working capital.

On April 7, 2006 ASCL issued 4,000,000 common shares of $0.01 each at a premium of $0.49 per share to provide additional working capital. In settlement of agent's commission in respect of this placement, the Company issued 280,000 common shares of $0.01 each at a premium of $0.49 per share.

On May 24, 2006 the Company issued 48,899,200 common shares in respect of the Merger with ASCL on the basis of two shares for every one share existing at that date. Under the reverse acquisition method of accounting, it was deemed that 37,000,003 shares were issued in consideration for Hard Assets Inc, being its issued share capital immediately prior to the merger.

On May 25, 2006 upon admission to AIM, the Company issued 416,666 common shares at $0.56 per share in settlement of a corporate finance fee.

On July 3, 2006 the Company issued 300,000 common shares in relation to the exercise of share options at Cdn$0.12 per share. On September 29, 2006 the Company issued 7,000 common shares in relation to the exercise of warrants at $0.175 per share.

On November 30, 2006 the Company raised Cdn$3,515,000 from a private placement of 14,060,000 Units at Cdn$0.25 per Unit. Each Unit consisted of one common share and one share purchase warrant exercisable for a period of one year at Cdn$0.42 and subject to accelerated exercise conditions at the Company's option.

***During the year ended December 31, 2005:***
On April 12, 2005 ASCL issued 37,800 common shares of $0.01 each as consideration for investment services provided to the company of $9,450. A premium of $9,072 was recognised on the issue.

On April 19, 2005 ASCL issued 4,412,000 common shares of $0.01 each at a premium of $0.24 per share to provide additional working capital.

On October 4, 2005 ASCL issued 3,000,000 common shares of $0.01 each at a premium of $0.34 under the terms of a share warrant agreement to provide additional working capital.

On November 22, 2005 ASCL issued 200,000 common shares of $0.01 each at a premium of $0.49 per share to provide additional working capital.

On November 30, 2005 ASCL issued 1,040,000 common shares of $0.01 each at a premium of $0.49 each to provide additional working capital.

On December 9, 2005 ASCL issued 79,800 common shares of $0.01 each at a premium of $0.49 each in respect of commission on funding.

***Working Capital:***
As at December 31, 2006 the Company had working capital of approximately $3 million (2005: $1.2 million) which is sufficient to cover ongoing obligations as they become due. The increase in working capital is the result of cash raised from the

issues of shares, offset by project and administrative expenditure. Cash raised from issues of shares was $5.4 million during the year (2005: $2.3 million).

The most significant asset at December 31, 2006 was cash of $3.2 million (2005: $1.4 million). In addition, there were intangible assets of $1.2 million (2005: $0.2 million) and tangible assets of $0.1 million (2005: $0.05 million). Receivables were $0.2 million (2005: $0.1 million) of which $0.1 million related to Mexican tax. Payables were $0.4 million (2005: $0.2 million).

***Share Options and Share Purchase Warrants***
On April 13, 2006 the Company granted 350,000 share options with an exercise price of $0.50 and an expiry date of April 13, 2008.

On May 25, 2006 the Company issued 208,333 share purchase warrants in connection with the settlement of a corporate finance fee. These warrants have an exercise price of £0.30 and an expiry date of May 25, 2007.

As a result of the Merger the Company had outstanding (i) 5,830,000 share options with an exercise price of £0.15 and an expiry date of January 31, 2009 and (ii) 2,899,600 share purchase warrants with an exercise price of $0.175 and an expiry date of April 7, 2007.

On July 3, 2006 the Company issued 300,000 common shares in relation to the exercise of share options at Cdn$0.12 per share.

On September 29, 2006 the Company issued 7,000 common shares in relation to the exercise of warrants at $0.175 per share.

On November 30, 2006 the Company issued 14,060,000 share purchase warrants exercisable for a period of one year at Cdn$0.42 and subject to accelerated exercise conditions at the Company's option.

***Off-balance sheet arrangements***
The Company has no off-balance sheet arrangements.

**TRANSACTIONS WITH RELATED PARTIES**

During the year ended December 31, 2006 the Company entered into the following transactions involving related parties:

Companies in the Dragon Group charged the Company a total of $671,155 (Period to December 31, 2005: $155,185) in respect of the provision of staff, office facilities, general office overheads and re-charged costs incurred on behalf of the Company. Tony Williams, Chairman and a director of the Company, beneficially owns the Dragon Group.

Endeavour Financial Limited ("EF") charged the Company a total of $62,740 (Period to December 31, 2005: $51,424) in respect of the provision of office facilities incurred on behalf of the Company. Gordon Keep, a director of the Company up to the date of the Merger, is a director of EF.

Anfield Sujir Kennedy & Durno ("ASKD") charged the Company a total of $86,895 (Period to December 31, 2005: nil) in respect of the provision of legal services incurred on behalf of the Company. Henry Jay Sujir, a director of the Company up to the date of the Merger, is a partner in ASKD.

European Diamonds PLC ("EPD") charged the Company a total of $82,594 (Period to December 31, 2005: $23,324) in respect of a recharge of remuneration on behalf of the Company. James Cable and Tony Williams are both Directors of the Company and EPD.

During the year ended December 31, 2006 the Company entered into the following transactions with subsidiaries:

The Company made loans to Arian Silver de Mexico de CV ("Arian Mexico") of $986,790 (Period to December 31, 2005: $396,062) and paid charges on behalf of Arian Mexico of $32,647 (Period to December 31, 2005: nil)

Arian Silver (UK) Limited ("Arian UK") charged the Company a total of $783,821 (Period to December 31, 2005: $55,000) in respect of staff payroll and other costs and was charged by the Company $101,334 (Period to December 31, 2005: nil) in respect of management fees. In addition the Company made loans to Arian UK of $136,443 (Period to December 31, 2005: $36,657)

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

**FOURTH QUARTER**

In the quarter, work has continued to progress on the properties. At Calicanto the existing ramp along the Calicanto vein continued to be extended and work on a second ramp commenced to gain access to the San Buenventura vein. A 3,000 metre drilling campaign commenced to test the down-dip and along strike vein extensions. Underground sampling, surveying and mapping of the Las Crisinitas mine workings was completed on the San Celso property in Zacatecas State.

The Company acquired a 100% option on the San Jose property which includes the mine workings of the San Jose mine, which was operated from 1973 to 2001, a number of mine buildings and a 400 tonne per day shaft. The mine has access via a 3 kilometre decline.

New common shares were issued to raise $3.2 million in cash before expenses.

**POST BALANCE SHEET TRANSACTIONS**

On February 5, 2007 the Company issued 414,000 common shares of no par value in connection with an exercise of warrants at $0.175 per share.

In February, 2007 500,000 share options were granted to Mr. James Crombie, director, and 255,000 share options were granted to employees and consultants.

On February 28, 2007 the Company issued 792,000 common shares of no par value in connection with an exercise of warrants at $0.175 per share.

On March 16, 2007 the Company issued 152,000 common shares of no par value in connection with an exercise of warrants at $0.175 per share.

On March 21, 2007 the Company issued 500,000 common shares of no par value in connection with an exercise of share options at £0.15 per share.

On March 26, 2007 the Company issued 734,800 common shares of no par value in connection with an exercise of warrants at $0.175 per share.

On April 4, 2007 the Company issued 800,000 common shares of no par value in connection with an exercise of warrants at $0.175 per share.

On April 20, 2007 the Company issued 400,000 common shares of no par value in connection with an exercise of warrants at Cdn$0.42 per share.

## CRITICAL ACCOUNTING ESTIMATES

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

### *Resource Properties, Deferred Exploration and Development Costs*

All costs related to the exploration of mineral properties are capitalised until either the properties are brought into production, at which time they are depleted on a unit of production basis, or until the properties are sold, allowed to lapse, abandoned or determined not to be commercially viable, at which time they are charged to the income statement.

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

Management is of the view that the current policy is appropriate for the Company at this time and is consistent with many other public mineral exploration and development companies in the UK and Canada. Shareholders are advised that carrying values are not necessarily indicative of present or future values. The Company assesses whether impairment exists in any of its exploration projects and writes down that project to its estimated recoverable value when such impairment is found to exist. No writedowns were recorded in the financial statements for the period. A writedown would be recorded as an expense to the Company's income statement.

### *Share based payments*

The share option programme allows Company employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at the grant date and spread over the period until the options vest unconditionally to the employee. The fair value of the options granted is measured using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. Critical estimates in determining fair value include expected price volatility of the shares and option lives.

## RISKS AND UNCERTAINTIES

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

***Option Agreements in relation to certain mining concessions***
There is no certainty that following completion of initial exploration work at the Calicanto, Tepal and San Jose projects, the Company will elect to proceed to exercise the options over the mining concessions for those areas. The sums paid and due to be paid under the option agreements are not repayable if the options are not exercised.

In addition, in relation to concessions over which the Company has an option, the current concession holder may not be able to, or may voluntarily decide not to, comply, or may not have complied in all respects, with the concession requirements for some or all of its concessions. If the current concession holder fails to fulfil the specific terms of any of its concessions or operates in the concession areas in a manner that violates Mexican law, regulators may impose fines, suspend or revoke the concessions, any of which could have a material adverse effect on the Company's operations and proposed operations.

***Requirement of Additional Financing***
The exploration and development of the Company's concessions, including continuing exploration projects, and the construction of mining facilities and commencement of mining operations, will require substantial additional financing. Additional financing will also be required to pay the exercise price of the options held by the Company at the date of this document and any options which are subsequently acquired. The Company does not currently have sufficient funds to explore its concessions and to maintain its interest in all its projects. No assurance can be given that the Company will be able to raise the additional financing necessary to explore its concessions, or exercise its options (current or future). Failure to obtain sufficient financing for any projects will result in a delay or indefinite postponement of exploration, development or production on properties covered by the Company's concessions or even the loss of a concession. The only source of funds currently available to the Company is through the issue of equity capital, the sale of concessions, royalty interests or the entering into of joint ventures. In addition, the Company's ability to obtain further financing will depend in part on the price of silver and the industry's perception of its future price and other factors outside the Company's control. Additional financing may not be available when needed, or if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to shareholders.

***Limited Operating History***
The Company has no concessions producing revenue and its ultimate success will depend on its ability to generate cash flow from concessions in the future. The Company has not earned profits to date and there is no assurance that it will do so in the future. A major portion of the Company's activities will be directed to the search for and the development of new silver deposits. Significant capital investment will be required for exploration at the concessions and to achieve commercial production from the Company's existing projects and from successful exploration efforts. There is no

assurance that the Company will be able to raise the required funds to continue these activities.

***No Reserves or Resources***

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

***Reliance on Sub-Contractors in Mexico***

The Company will rely on sub-contractors to build the Company's planned development programs. The failure of a sub-contractor to perform properly its services to the Company could delay or inconvenience mining 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.

***Nature of Mineral Exploration and Mining***

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

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

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

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

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

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

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

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

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

***Forward Looking Statements***
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 regarding the estimation of mineral resources, exploration results, potential mineralisation and mineral resources, and the Company's exploration and development plans and objectives) are forward-looking statements. These forward-looking statements reflect the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking statements are subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements, and even if such actual results are realised or substantially realised, there can be no assurance that they will have the expected consequences to, or effects on the Company. Factors that could cause actual results or events to differ materially from current expectations include, among other things, uncertainties relating to the availability and costs of financing needed in the future, changes in commodity prices, changes in equity markets, political developments in Mexico, changes to regulations affecting the Company's activities, delays in obtaining or failures to obtain required regulatory approvals, the uncertainties involved in interpreting exploration results and other geological data, and the other risks involved in the mineral exploration and development industry. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance

and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.

## OTHER INFORMATION

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

***Disclosure of Outstanding Share Data***
The following table sets forth information concerning the outstanding securities of the Company as at April 27, 2007:

| **Common shares of no par value ("Shares")** | **Number in issue** |
|---|---|
| Shares | 104,475,469 |
| Share options[1] | 6,435,000 |
| Share purchase warrants[1] | 13,868,333 |

[1] *Each share option and share purchase warrant entitles the holder thereof to purchase one Share.*