ARIAN SILVER CORPORATION

Management's Discussion and Analysis

of the Financial Condition and Results of Operations

For the Financial Years ended December 31, 2008 and 2007
(In thousands of U.S. dollars)

COMPANY INFORMATION

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STOCK EXCHANGES	AIM Market of the London Stock Exchange TSX Venture Exchange Frankfurt Stock Exchange
TRADING SYMBOLS	AIM: AGQ (stock is quoted in Pounds Sterling) TSX-V: AGQ (stock is quoted in Canadian Dollars) Frankfurt: I3A (stock is quoted in Euros)

This Management Discussion and Analysis ("MD&A") has been prepared based on information available to Arian Silver Corporation ("Arian" or the "Company") as at 27 April 2009 and compares its 2008 financial results with the previous year. This MD&A should be read in conjunction with the Company's audited Consolidated Financial Statements and the related notes. The audited Consolidated Financial Statements and the related notes have been prepared in accordance with International Financial Reporting Standards. All dollar amounts referred to in this discussion and analysis are expressed in United States dollars, unless specifically stated otherwise.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING AND CONTROLS

The audited Consolidated Financial Statements of the Company for the financial year ended 31 December, 2008 and the comparative amounts for 2007 have been prepared by management of the Company ("Management") in accordance with International Financial Reporting Standards ("IFRS") and have been approved by the Company's Board of Directors (the "Board"). The integrity and objectivity of these audited Consolidated Financial Statements are the responsibility of Management. In addition, Management is responsible for ensuring that the information contained in this MD&A is consistent, where appropriate, with the information contained in the audited Consolidated Financial Statements.

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

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

INTRODUCTION

The following discussion is Management's assessment and analysis of the results and financial condition of the Company and should be read in conjunction with the accompanying audited Consolidated Financial Statements for the financial years ended 31 December, 2008, and 2007, which are available on SEDAR at www.sedar.com.

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

The Company's common shares are listed for trading on the AIM Market of the London Stock Exchange, on the TSX Venture Exchange and on the Frankfurt Stock Exchange.

OVERVIEW

Financial

In December, 2008 the Company announced that given the turmoil in financial markets the Board had implemented measures to preserve the cash resources of the Company (see the Company's Q3 results press release dated 1 December 2008). To this end planned exploration programmes had been deferred and those in progress largely curtailed; in addition, steps were being taken to reduce overheads generally.

In addition, the directors continued to investigate potential sources of funding which may be available so as to enable the Company to continue to build on the exploration successes achieved to-date and to further the development of the Company and its mineral properties.

During Q1 of 2009 the Company announced details of a two-part share exchange transaction with Grafton Resource Investments Ltd ("Grafton") which is designed to provide new funding (*See* ***Liquidity, Capital Resources and Going Concern***). On 17 April 2009 the Company announced the final closing of the transaction with Grafton as a result of which the Company has issued in aggregate 109,090,909 common shares to Grafton, for a value of Cdn$6 million, giving it an interest in the outstanding common shares of the Company of approximately 42.2%. In exchange for these shares, the Company received 128,591 Grafton participating shares (the "Grafton Shares") equivalent to the same dollar value. It is intended that the Grafton shares will be placed with third parties to raise cash principally for Arian's San Jose Project as well as for general working capital. It is anticipated that the placing of the Grafton Shares will take place in the near future following the listing of Grafton on the Dublin Stock Exchange. The principals of Grafton and its associates have experience in providing funding for junior mining and exploration companies using this particular type of share exchange and disposal mechanism and will facilitate and promote this fundraising process. However, the Company is reliant on Grafton being able to replicate this experience to provide the significant new funding sought by the Company by this transaction and on a timely basis. Grafton also has the right to nominate a director to the Board of Directors of the Company and such appointment is pending at the date hereof.

In March 2009 Grafton advanced $300,000 to the Company for working capital purposes to enable the Company to pay an option instalment of approximately $250,000 due that month in relation to the San Jose Project. Grafton has agreed to make available a further advance of $250,000 in early May to the Company for working capital purposes.

On 21 April 2009 the Company announced that the holders of the outstanding share purchase warrants had approved proposals to vary the terms of the warrants (*See* ***Liquidity, Capital Resources and Going Concern***).

Based on current expectations, the directors of the Company currently believe it appropriate to prepare the Company's financial statements on a going concern basis. However, if funding from the transaction with Grafton does not meet current expectations in terms of amount raised and timing the Company may not be able to meet its ongoing working capital and project expenditure requirements. If these circumstances arose then there would be significant doubt on the Company's ability to continue as a going concern and the carrying value of the Group's exploration projects would be impaired (*See* ***Liquidity, Capital Resources and Going Concern***).

Operations

Following payment of the March 2009 option instalment, the Company renegotiated the terms of the San Jose Project option agreement such that Arian's interest has been converted to an ownership interest in the San Jose Project. Subject to completion of legal and registration formalities Arian will own a 66.67% controlling interest in the San Jose Project mineral concessions with the right to take 100% ownership on payment of the final instalment of $500,000 which is due in December 2009. Under the original terms of the option agreement Arian would have only obtained an ownership interest in the San Jose Project mineral concessions on completion of all option payments and would have forfeited all rights in the event of failure to pay any instalment.

During 2008, the Phase-1 drill programmes were completed on both the Tepal and San Jose Projects; drilling at San Jose amounted to 11,722 metres ("m") and 7,178m at Tepal. A Phase-2 drill programme was started at San Jose during Q2 and was terminated in Q3, with approximately 6,600m drilled in 38 holes, in line with the decision to defer costs of planned exploration programmes. Assaying of core from the San Jose Phase-2 drilling programme was terminated in Q4, also to save costs.

At the Calicanto Project work focussed on general security and fences were erected around all open shafts and mine workings. Work also continued with both surface and underground sampling and mapping to gain a better understanding of the structural controls on mineralisation within the Calicanto Project area.

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

In relation to San Jose, the Company completed an in-house scoping study that evaluated the economics of contract mining and custom milling of seven near surface resource blocks. The Company has commissioned A.C.A. Howe International Limited to carry out an NI 43-101 independent study in view of the positive results from the in-house scoping study (*See **Review of Operation – San Jose Project***).

As mentioned above, funding arising from the sale of the Grafton Shares is principally intended for the San Jose Project and general working capital. Notwithstanding this, the Tepal and Calicanto projects remain important assets of the Company and future expenditure on these projects will be kept under review and will be dependent on the timing and availability of funds.

OVERALL FINANCIAL PERFORMANCE

In the financial year ended 31 December, 2008, the Company incurred a loss of $3.7 million (2007 - $4.9 million) which loss includes expensing the fair value of options vesting of $0.5 million (2007 - $1.1 million), and other administrative expenses of $3.2 million (2007 - $3.9 million). There was no income other than interest from short term cash deposits of $31,000 (2007 - $62,000). The Company continued to incur costs in relation to its Mexican operations and in respect of corporate overheads.

During the 2008 financial year, foreign exchange adjustments were reported in Q1 (gain $79,000), Q2 (gain $281,000) and Q3 (loss $576,000) in administration expenses. These adjustments arose largely as a result of the translation of the Mexican subsidiary's financial statements from Mexican Pesos to US Dollars and reflected the volatility in currency markets. During Q4 there was a further material decline in the Mexican Peso against the US Dollar which resulted in a further significant foreign exchange loss. In view of the volatility in foreign exchange markets and the consequent impact this has had on reported operating results, the presentation of intra-group foreign exchange differences in the Consolidated Income Statement has been reviewed. It has been concluded that it would be more appropriate to recognise such adjustment in the Consolidated Statement of Recognised Income and Expense. This change has been implemented for reporting the audited results for the financial year ended 31 December 2008 and such treatment will continue going forward. This change does not constitute a change of the

Company's foreign exchange accounting policy. The loss for 2007 of $4.9 million, referred to above, included a foreign exchange gain of $0.2 million.

As at 31 December, 2008, intangible assets amounted to $6.0 million (2007 - $4.4 million). The change during the year reflects additions of $2.6 million, a foreign exchange loss of $0.9 million and a $0.1 million writedown. These costs arise in respect of deferred exploration and evaluation costs related to the Mexican projects.

Cash of $3.6 million was received as a result of private placements during the year.

SELECTED ANNUAL INFORMATION

	2008 $'000	**2007** $'000	**2006** $'000
Total Revenues	31	62	71
Net loss before exceptional items	3,720	4,955	3,653
Basic and diluted loss per share	$(0.03)	$(0.05)	$(0.05)
Net loss for the period	3,689	4,893	17,033
Basic and diluted loss per share	$(0.03)	$(0.05)	$(0.24)
Total assets	7,551	8,436	4,802
Shareholders' equity	7,296	8,100	4,423
Cash dividend declared per share	-	-	-

Total revenues are from bank deposit interest. Over the last three years this amount has varied in line with the cash balances held by the Company.

The net loss before exceptional items increased from $3.6 million to $5.0 million from 2006 to 2007 mainly due to increased manpower and corporate overheads in Mexico. The net loss decreased from $5.0 million to $3.7 million from 2007 to 2008 mainly due to a significant reduction in most areas of administrative expenses, particularly in the second half of 2008. In 2006, an exceptional item of $13.4 million was written off in respect of goodwill arising that year in relation to the merger of the Company with Arian Silver Corporation Limited.

Total assets continued to grow over the past three years, after adjusting for foreign exchange mainly due to investment in the projects in Mexico. Total assets increased by $3.6 million, from $4.8 million in 2006 to $8.4 million in 2007, $3.2m of which relates to further investment in exploration projects in Mexico. The remaining $0.4 million relates to IVA (sales tax) recoverable from the Mexican authorities. Total assets reduced by $0.8 million from $8.4 million in 2007 to $7.6 million in 2008. This is mainly due to a reduction in cash of $2.4 million, offset by an investment in exploration projects of $2.5 million after adjusting for a foreign exchange difference of $1.0 million on total assets.

Shareholders' equity increased by $3.7 million from $4.4 million to $8.1m from 2006 to 2007 mainly due to a $7.5 million increase in share capital from share issues, $1.1 million relating to the issue of stock options, offset by a $4.9 million loss for the year. Shareholders' equity decreased by $0.8 million, from $8.1 million in 2007 to $7.3 million in 2008, comprising a $3.4 million increase in share capital, $0.5 million relating to the issue of stock options, offset by a charge of $1.0 million to foreign exchange reserve and a $3.7 million loss for year.

REVIEW OF OPERATIONS

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

TABLE 1
Property Summary

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

Qualified Person

Mr. Jim Williams, Eur Ing, Eur Geol, BSc, MSc, D.I.C., FIMMM, the Chief Executive Officer of Arian, a "Qualified Person" as defined in the AIM guidelines of the London Stock Exchange, and a "Qualified Person" as such term is defined in NI 43-101, has reviewed and approved the technical information in this document other than the mineral resource estimates.

San Jose Project, Ojocaliente District, Zacatecas State

In December 2006 the Company entered into an option agreement to acquire 100% of the property. The option agreement required the Company to pay to the vendor $1.5 million in instalments over three years. In addition, the option agreement provided for the Company to pay a 2% Net Smelter Return (“NSR”) with a right of first refusal to buy out the NSR for $1.5 million at any time during the option period. In March 2009, the terms of the option agreement were renegotiated such that Arian’s interest has been converted to an ownership interest in the San Jose Project. Subject to completion of legal and registration formalities Arian will own a 66.67% controlling interest in the San Jose Project mineral concessions with the right to take 100% ownership on payment of the final instalment of $500,000 which is due in December 2009. Under the original terms of the option agreement Arian would only obtain an ownership interest in the San Jose Project mineral concessions on completion of all option payments and would have forfeited all rights in the event of failure to pay any instalment.

The property lies 55 kilometres to the South-East of Zacatecas and covers 11 mining concessions totalling approximately 6,300Ha. The property has significant infrastructure, including a 4 x 4 metre ramp, which extends for nearly 3km along the footwall of the San José Vein (“SJV”) system, and a 350m deep, 500 tonne per day (“tpd”), vertical shaft with hoist.

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

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

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

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

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

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

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

NI 43-101 Resources at San Jose

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

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

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

An in-house scoping study (also referred to as a preliminary assessment) was completed in January 2009 and evaluated the economics for contract mining and custom milling of seven near surface resource blocks that have been identified as having potential for near term contract mining. These blocks are both remnant and adjacent stoping blocks within the existing workings of the former producing San Jose Mine. The study was designed to identify key requirements for the partial rehabilitation of underground access, new development, the provision of mine services to the potential exploitation sites, as well as addressing estimated capital and operating costs. Initial studies indicate support for a contract mining operation of up to 500 tpd. The results of the in-house study were sufficiently robust to warrant an independent study and in March 2009 the Company commissioned A.C.A. Howe International Limited to carry out a NI 43-101 independent study.

The Company has continued with permitting and all relevant mining permits are now in place at San Jose except for the blasting licence which Arian has applied for and is being progressed with the relevant Mexican authorities.

Dewatering of the deeper levels, below 150m from surface, of the San Jose mine workings was continued after the Company purchased a new and more efficient submersible water pump during the Q3 of 2008. The 120 HP pump, currently pumping non-stop at a rate of 30 litres a second, is expected to dewater the entire remaining flooded area over the next two months. Once dewatering is complete and the accessibility considered safe to enter, further channel sampling will take place of these deeper levels. By arrangement with the local community the pumped water is being used for irrigating the nearby farmland.

Arian is now planning on submitting its stockpiled drill and channel samples for assay. The submission of these samples had been put on hold given the cost of analysis and pending raising additional finance.

The following schedule shows project expenditure during the year:

	Year ended December 31	
	2008	**2007**
San Jose	**$’000**	**$’000**
Mining & option rights	**470**	144
Drilling & exploration	**982**	919
Geology – logging & sampling	**156**	96
Administration	**252**	165
Total	**1,860**	1,324

The above expenditure has been capitalised as an intangible asset.

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

Tepal Project; Michoacán State

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

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

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

In September, 2008 the Company announced an updated mineral resource estimate in respect of Tepal (see the Company's press release dated 24 September, 2008 entitled "Arian Silver Upgrades Tepal Resource Estimate") details of which are set out below. The resource estimate has upgraded 36% of the previously defined inferred mineral resource to the indicated mineral resource category, and this represents 24,995,000 tonnes, containing 440,000 oz of Au and 147.1 million lbs of Cu, for a Au-Eq of 938,000 oz.

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

Tepal Mineral Resources

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

1. *Au = Gold. Cu = Copper. AuEq = Gold Equivalent*
2. *Arian has an exclusive option agreement to purchase 100% of the Tepal properties*
3. *Gold Equivalent Grades (g/t) were calculated using metal prices of US$600/oz Au, US$2/lb Cu and assuming 100% recoveries*
4. *The mineral resource estimates are in accordance with CIM and JORC standards*
5. *The effective date of the mineral resource estimates is 24 September, 2008*
6. *The estimates are based on geostatistical data assessment and computerised IDW^3, 0.18 g/t Au grade wireframe envelope restricted, linear block modelling*

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

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

In accordance with the decision announced in December 2008 to defer exploration expenditure, further work at Tepal was suspended and the local office closed.

The following schedule shows project expenditure during the year:

	Year ended December 31	
	2008	**2007**
Tepal	**$'000**	**$'000**
Mining & option rights	**519**	554
Drilling & exploration	**467**	533
Geology – logging & sampling	**207**	30
Administration	**74**	98
Total	**1,267**	1,215

The above expenditure has been capitalised as an intangible asset.

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

Calicanto Project, Zacatecas District, Zacatecas State

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

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

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

The following schedule shows project expenditure during the year:

	Year ended December 31	
	2008	**2007**
Calicanto Group: Zacatecas	**$'000**	**$'000**
Mining & option rights	**211**	18
Drilling & exploration	**17**	223
Geology – logging & sampling	**8**	42
Administration	**13**	29
Total	**249**	312

The above expenditure has been capitalised as an intangible asset.

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

Exploration and development commitments as at 31 December, 2008

The Company does not have any exploration and development expenditure commitments in respect of its projects. However, the following refer to the material payments that will become due under the agreements relating to the San Jose and Tepal properties:

(a) In relation to the San Jose Project the Company is required to pay the vendor $1.5 million in instalments through to December 2009. At 31 December, 2008, $745,000 had been paid and in Q1 of 2009 a further instalment of $255,000 was paid. The final instalment of $500,000 is due in December, 2009.

(b) In relation to the Tepal Project the Company is required to pay the vendor $5 million in instalments through to June 2011. At 31 December, 2008, $1,300,000 had been paid and the next payment of $500,000 is due in June 2009.

The Company is able to decline to pay future instalments due under the agreements relating to San Jose and Tepal without financial penalty. However, in the case of Tepal, in the event of failure to pay any future instalment the Company would forfeit all rights to the property.

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

RESULTS OF OPERATIONS

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

Financial year ended 31 December, 2008 compared to financial year ended 31 December, 2007

The loss for the year was $3.7 million (2007 - $4.9 million). This loss includes the expensing of the fair value of share options vesting of $0.5 million (2007 - $1.1 million) and other administrative expenses of $3.2 million (2007 - $3.9 million). Year-on-year expenditure has been significantly reduced in the following areas; salaries and associated overheads, travel and entertainment, investor relations, audit and accountancy, public relations and advertising. Consultancy fees have increased compared to last year largely as a result of technical studies carried out on the Company's San Jose and Tepal projects in Mexico.

SUMMARY OF QUARTERLY RESULTS

Unaudited	**2008** 4th Quarter $'000	**2008** 3rd Quarter $'000	**2008** 2nd Quarter $'000	**2008** 1st Quarter $'000
Total Revenues	11	-	2	18
Net loss before exceptional items	399	1,757	643	921
Basic and diluted loss per share	$(0.00)	$(0.01)	$(0.01)	$(0.01)
Net loss for the period	388	1,757	641	903
Basic and diluted loss per share	$(0.02)	$(0.01)	$(0.01)	$(0.01)
Total assets	7,551	8,829	9,750	7,615
Shareholders' equity	7,296	8,192	9,567	7,249
Cash dividend declared per share	-	-	-	-

Unaudited	2007	2007	2007	2007
	4th Quarter $'000	3rd Quarter $'000	2nd Quarter $'000	1st Quarter $'000
Total Revenues	18	16	10	18
Net loss before exceptional items	1,240	1,119	1,553	1,043
Basic and diluted loss per share	$(0.01)	$(0.01)	$(0.01)	$(0.01)
Net loss for the period	1,178	1,119	1,553	1,043
Basic and diluted loss per share	$(0.01)	$(0.01)	$(0.01)	$(0.01)
Total assets	8,436	5,937	4,382	4,264
Shareholders' equity	8,100	5,757	3,898	3,909
Cash dividend declared per share	-	-	-	-

Fourth quarter 2008 vs. third quarter 2008

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

Third quarter 2008 vs. second quarter 2008

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

Second quarter 2008 vs. first quarter 2008

Revenues were from bank deposit interest. The net loss in the period was lower than for the previous quarter largely due to a reduction in the corporate overheads. Cash increased by $50k to $900k as a result of the Cdn$3 million share placement that was completed in the second quarter. Intangible assets increased by $1.8m due to continued expenditure on exploration work undertaken in Mexico which expenditure included approximately $1.1m in property option payments. The increase in shareholders' equity is largely attributable to the increased share capital as a result of the share placement referred to above.

First quarter 2008 vs. fourth quarter 2007

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

Fourth quarter 2007 vs. third quarter 2007

Revenues were from bank deposit interest. The net loss in the period is broadly similar to the previous quarter and results from incurring costs related to corporate overheads and administration of the Company's projects in Mexico. Intangible assets, representing the cost of exploration in Mexico increased by $1.2 million compared to $0.7 million in the third quarter and

$1.0 million in the second quarter. Shareholders' equity increased by $2.3 million in the fourth quarter due to share issues from warrant exercises offset by project and administration expenditure.

Third quarter 2007 vs. second quarter 2007
Revenues were from bank deposit interest. The net loss for the period fell by $0.4 million over the previous quarter mainly due to a reduction in the cost of expensing the fair value of share options of $0.6 million, offset by higher administrative costs. Intangible assets, representing the cost of exploration in Mexico, increased by $0.7 million in the period due to the extensive drilling programmes, compared to expenditure of $1 million in the second quarter. Shareholders' equity increased in the third quarter by $1.9 million in relation to shares issued from a private placement and warrant and option exercises of approximately $3 million, offset by the loss incurred in the period.

Second quarter 2007 vs. first quarter 2007
Revenues were from bank deposit interest. The net loss for the period increased by $0.5 million compared to that incurred in the previous quarter due to an increase in the expensing of the fair value of share options by $0.7 million, compared to $0.1 million in the first quarter; otherwise, administrative costs were similar. There was a significant increase in intangible assets in the quarter by $1 million due to the extensive drilling programmes, compared to a spend of $0.3 million in the first quarter. Shareholders' equity was unchanged compared to the previous quarter as the issue of new shares in the period of $0.8 million was offset by administrative expenditure and the write off of the fair value of share options.

LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN

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

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

The Company will require additional funding in the future in order to progress exploration programmes on its mineral projects, to meet property payments, for development and for general working capital requirements. Sources of funds currently available to the Company are through the issue of equity capital, the sale of its interests in one or more of its projects, by way of project joint ventures or business combinations. See ***Risks and Uncertainties – Requirement of Additional Financing*** for details of additional risks associated with future funding of the Company.

During 2008, the Company made the following share and warrant issues:

- 12,092,000 common shares at Cdn$0.25 to provide additional working capital of Cdn$3,023,000;
- 17,500,000 common shares at Cdn$0.10 to provide additional working capital of Cdn$1,747,000; and
- 6,046,000 share purchase warrants exercisable up to 29 November, 2009 at Cdn$0.35 (the "C Warrants").

In addition to the C Warrants, the Company has outstanding 2,727,250 common share purchase warrants that were exercisable up to 1 August, 2009 at Cdn$0.65 per share (the “B Warrants”). On 21 April, 2009 the Company announced that warrantholders had approved proposals to vary the terms of the B and C warrants (the “Warrants Variation”) as follows:

(a) re-pricing 1,363,625 of the B Warrants so that they are exercisable at Cdn$0.07 per share and varying the exercise period of such warrants so that they expire on the date that is three months following receipt by the Company of approval of the Warrants Variation provided that where the closing price of the common shares of the Company listed on the TSX Venture Exchange (“TSXV”) exceeds Cdn$0.0875 for any period of ten (10) consecutive trading days (the “Premium Trading Days”), the expiry date of such warrants shall be accelerated such that these warrants will expire at 5:00 p.m. (London, United Kingdom time) on the 30th calendar day after the date which is seven (7) calendar day after the 10th Premium Trading Day;

(b) re-pricing 1,363,625 of the B Warrants so that they are exercisable at Cdn$0.10 per share and varying the exercise period of such warrants so that they expire on 31 December, 2009 provided that where the closing price of the common shares of the Company listed on the TSXV exceeds Cdn$0.125 for any period of ten (10) consecutive trading days (the “Premium Trading Days”), the expiry date of such warrants shall be accelerated such that these warrants will expire at 5:00 p.m. (London, United Kingdom time) on the 30th calendar day after the date which is seven (7) calendar day after the 10th Premium Trading Day.

(c) re-pricing 3,023,000 of the C Warrants so that they are exercisable at Cdn$0.07 per share and varying the exercise period of such warrants so that they expire on the date that is three months following receipt by the Company of approval of the Warrants Variation provided that where the closing price of the common shares of the Company listed on the TSXV exceeds Cdn$0.0875 for any period of ten (10) consecutive trading days (the “Premium Trading Days”), the expiry date of such warrants shall be accelerated such that these warrants will expire at 5:00 p.m. (London, United Kingdom time) on the 30th calendar day after the date which is seven (7) calendar day after the 10th Premium Trading Day; and

(d) re-pricing 3,023,000 of the C Warrants so that they are exercisable at Cdn$0.10 per share and varying the exercise period of such warrants so that they expire on 31 December, 2009 provided that where the closing price of the common shares of the Company listed on the TSXV exceeds Cdn$0.125 for any period of ten (10) consecutive trading days (the “Premium Trading Days”), the expiry date of such warrants shall be accelerated such that these warrants will expire at 5:00 p.m. (London, United Kingdom time) on the 30th calendar day after the date which is seven (7) calendar day after the 10th Premium Trading Day.

During Q1 of 2009, the Company announced the terms of a proposed share exchange transaction with Grafton. The transaction comprised two parts:

Part 1
On 26 February, 2009 the Company announced that it had issued 26,097,230 common shares to Grafton at Cdn$0.055 per share (equating to approximately Cdn$1,435,347) and Grafton had issued to the Company 26,322 participating shares (equating to approximately Cdn$1,435,347 determined by reference to the net asset value per Grafton participating share of $43.98 as at the close of business on 30 January, 2009).

As a result of this transaction, Grafton held 14.9% of the Company’s outstanding common shares.

Part 2
On 17 April, 2009 the Company announced that it had issued a further 82,993,679 common shares to Grafton at Cdn$0.055 per share (equating to approximately Cdn$4,564,653) and Grafton had issued to the Company 102,269 participating shares (equating to approximately

Cdn$4,564,653 determined by reference to the net asset value per Grafton participating share of $36.93 as at the close of business on 31 March, 2009).

As a result of this transaction Grafton's interest in the Company increased to 109,090,909 common shares (approximately 42.2%).

It is planned that the 128,591 Grafton participating shares (the "Grafton Shares") held by the Company will be placed for cash with third parties by Grafton and its associates in order to raise working capital finance for the Company. It is anticipated that the placing of the Grafton Shares will take place in the near future following the listing of Grafton on the Dublin Stock Exchange. The principals of Grafton and their associates have experience in providing funding for junior mining and exploration companies using this type of transaction. The Company is reliant on Grafton being able to replicate this experience to provide the significant new funding sought by the Company by this transaction and on a timely basis. See ***Risks and Uncertainties – Transaction with Grafton Resource Investments Ltd*** for details of additional risks associated with this transaction.

In addition, the Company has accumulated IVA (sales tax) on past exploration expenditure in Mexico which amounted to $581,000 at 31 December, 2008. IVA is generally repaid in instalments by the Mexican tax authorities. However, there is no certainty as to the timing of future repayments of this IVA debtor.

In March 2009 Grafton advanced $300,000 to the Company for working capital purposes which enabled the Company to pay an option instalment of approximately $250,000 due that month in relation to the San Jose Project. This advance is interest free and is repayable from the first proceeds from the disposal of the Grafton Shares held by the Company. Grafton has agreed to make available a further advance of $250,000 in early May to the Company, on similar terms, for working capital purposes.

Based on current expectations, the directors of the Company currently believe it appropriate to prepare the Company's financial statements on a going concern basis. However, if funding from the transaction with Grafton does not meet current expectations in terms of amount raised and timing the Company may not be able to meet its ongoing working capital and project expenditure requirements. If these circumstances arose then there would be significant doubt on the Company's ability to continue as a going concern and the carrying value of the Group's exploration projects would be impaired.

Working Capital - y**ear ended 31 December, 2008**

As at 31 December, 2008, the Company had working capital of approximately $1.1 million (2007 – $3.5 million). As detailed in ***Overview of Operations – Exploration and development commitments as at 31 December, 2008*** the Company will need to make some material payments in relation to its San Jose and Tepal properties.

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

The most significant asset at 31 December, 2008 was intangible assets of $6.0 million (2007 – $4.4 million). In addition, there were tangible assets of $0.1 million (2007 – $0.2 million), receivables of $0.6 million (2007 – $0.7 million) and cash of $0.8 million (2007 – $3.1 million). Payables were $0.3 million (2007 – $0.3 million).

Off-balance sheet arrangements

The Company has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

During the financial years ended 31 December, 2008 and 2007, the Company entered into the following transactions involving related parties:

(a) Companies in the Dragon Group charged the Company a total of $449,147 (2007 – $934,859) in respect of the provision of support services and accommodation as well as for reimbursable expenses incurred on behalf of the Company. Tony Williams, Chairman and a director of the Company, beneficially owns the Dragon Group. At 31 December, 2008 $30,746 (2007 – nil) was outstanding.

(b) Kopane Diamond Developments PLC ("KDD") charged the Company a total of $18,374 (2007 – $105,386) in respect of the reimbursement of a director's remuneration paid on behalf of the Company. The Company charged KDD $24,523 (2007 – nil) for the provision of accounting support services. James Cable and Tony Williams are Directors of the Company and KDD. At 31 December, 2008 nil (2007 – nil) was due to KDD and $10,111 (2007 – nil) was due to the Company by KDD.

The Company also entered into the following transactions with subsidiaries:

The Company made loans to Arian Silver de Mexico S.A. de C.V. ("Arian Mexico") of $2,813,992 (2007 – $4,332,246) and paid charges on behalf of Arian Mexico of $138,821 (2007 – $40,849). A management fee of $7,240 was also charged to Arian Mexico (2007 – $10,352).

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

During the fourth quarter there was no material exploration activity on the Company's projects in line with the decision to reduce expenditures in order to preserve cash resources.

The Company continued with permitting for San Jose with the relevant Mexican authorities.

Also, following the purchase of a new and more efficient submersible water pump during the Q3 of 2008 Arian continued to dewater the deeper levels, below 150m from surface, of the San Jose mine workings. Once dewatering is complete and the accessibility considered safe to enter, further channel sampling will take place of these deeper levels. By arrangement with the local community the pumped water is being used for irrigating the nearby farmland.

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

PROPOSED TRANSACTIONS

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

CRITICAL ACCOUNTING ESTIMATES

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

Resource Properties, Deferred Exploration and Development Costs

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

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

Management is of the view that the current policy is appropriate for the Company at this time and is consistent with many other public mineral exploration and development companies in the UK and Canada. Shareholders are advised that carrying values are not necessarily indicative of present or future values. The Company assesses whether impairment exists in any of its exploration projects and writes down that project to its estimated recoverable value when such impairment is found to exist. Any write down is recorded as an expense in the Company's income statement in the financial statements for the relevant period.

Share based payments

The share option programme allows Group directors, officers, employees and consultants to acquire shares of the Company. The fair value of options granted is recognised as an expense with a corresponding increase in equity. The fair value is measured at the grant date and spread over the period until the options vest unconditionally. The fair value of the options granted is measured using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except if the change is due to market based conditions not being satisfied.

RISKS AND UNCERTAINTIES

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

Agreements in relation to certain mining concessions

There is no certainty that the Company will elect to continue to make the instalment payments due in respect of the agreements relating to the San Jose and Tepal properties. The sums paid and due to be paid under such agreements are not repayable and if any option payment due in respect of Tepal is not paid the Company will forfeit all rights to the property.

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

Requirement of Additional Financing

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

Transaction with Grafton Resource Investments Ltd ("Grafton")

The share exchange transaction with Grafton is designed to provide new funding for the Company by placing the Grafton shares that the Company has received with third parties for cash. Whilst the principals of Grafton and their associates have in the past secured funding for companies through this type of mechanism no assurance can be given that they can replicate past success for the Company. There is also uncertainty as to the timing and amount of funding that can be raised for the Company from the disposal of the Grafton shares. In the event of undue delay in raising significant funding from this source or such funding that is forthcoming does not meet current expectations, the Company may not be able to meet it ongoing working capital requirements and this may have an adverse impact on the ability of the Company to continue as a going concern in which event the carrying value of the Company's exploration projects would be impaired.

Limited Operating History

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

No Reserves

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

Reliance on Sub-Contractors in Mexico

The Company will rely on sub-contractors to implement the Company's exploration and development programs. The failure of a sub-contractor to perform properly its services to the Company could delay or inconvenience the Company's operations, and have a materially adverse effect on the Company.

Key Personnel

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

Environmental Factors

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

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

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

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

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

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

Forward Looking Statements

This MD&A contains certain "forward-looking statements". All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, funding from the disposal of the Grafton shares or from other sources, the mineral resource estimates contained in this MD&A, statements regarding exploration results, potential mineralisation, potential mineral resources, future production and the Company's exploration and development plans and objectives) are forward-looking statements. These forward-looking statements reflect the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking statements are subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements, and even if such actual results are realised or substantially realised, there can be no assurance that they will have the expected consequences to, or effects on the Company. Factors that could cause actual results or events to differ materially from current expectations include, among other things, failure to establish estimated mineral reserves, the possibility that future exploration results will not be consistent with the Company's expectations, uncertainties relating to the availability and costs of financing needed in the future, the possibility that the placing of the Grafton shares held by the Company will not be sold on a timely basis and/or that such placement will not generate sufficient funds for the Company to meet its ongoing obligations, changes in commodity prices, changes in equity markets, political developments in Mexico, changes to regulations affecting the Company's activities, delays in obtaining or failures to obtain required regulatory approvals, the uncertainties involved in interpreting exploration results and other geological data, and the other risks involved in the mineral exploration and development industry. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.

The mineral resource figures disclosed in this MD&A are estimates and no assurances can be given that the indicated levels of minerals will be produced. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While the Company believes that the resource estimates included in this MD&A are well established, by their nature resource estimates are imprecise and depend, to a certain extent, upon statistical inferences, which may ultimately prove unreliable. If such estimates are inaccurate or are reduced in the future, this could have a material adverse impact on the Company.

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

OTHER INFORMATION

Additional Information

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

Disclosure of Outstanding Share Data

The following table sets forth information concerning the outstanding securities of the Company as at 24 April, 2009:

	Number in issue
Common shares of no par value	258,142,878
Share options	6,950,000
Share purchase warrants	8,773,250

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