



ARIAN SILVER CORPORATION

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

**For the Three Months ended March 31, 2008
(In thousands of U.S. dollars)**

COMPANY INFORMATION

DIRECTORS

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

COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER

Graham A. Potts

HEAD OFFICE

43 North Audley Street
London, W1K 6WH
England
Telephone: +44 (0) 20 7529 7511
Facsimile: +44 (0) 20 7491 2244

REGISTERED OFFICE

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

NOMINATED ADVISER

Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London, NW1 2EP

BROKER

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

AUDITORS

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

REGISTRAR

Computershare Investor Services
100 University Avenue
Toronto, Ontario, M5J 2Y1
Canada

STOCK EXCHANGES

The 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 May 29 2008 and compares its first quarter 2008 financial results with the equivalent period of the previous year. This MD&A should be read in conjunction with the Company's unaudited Consolidated Financial Statements and the related notes. The unaudited 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 unaudited Consolidated Financial Statements of the Company for the three months ended March 31, 2008 and the comparative amounts for 2007 have been prepared by management of the Company ("Management") in accordance with International Financial Reporting Standards ("IFRSs") and have been approved by the Company's Board of Directors (the "Board"). The integrity and objectivity of these unaudited 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 unaudited 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 unaudited 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 unaudited 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.

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 unaudited Consolidated Financial Statements for the three months ended March 31, 2008, which are available on SEDAR at www.sedar.com.

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 from Hard Assets Inc. to Arian Silver Corporation.

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 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

OVERALL PERFORMANCE

In the three months to March 31, 2008, the Company incurred a loss of \$0.9 million after expensing the fair value of options vesting of \$60,000. There was no income other than interest from short term cash deposits of \$18,000. The Company continued to incur administrative costs in relation to its Mexican operations and in respect of corporate overheads.

In the three months to March 31, 2008, intangible assets increased by \$1.3 million to \$5.7 million in respect of the Mexican projects.

REVIEW OF OPERATIONS

The Company is currently concentrating its efforts on three key projects, namely, San Jose and Calicanto, located in Zacatecas State, Mexico and Tepal, located in Michoacán State, Mexico. In addition the Company has a number of other less advanced projects, which are not currently being progressed.

During the period, the Company completed two major drilling programmes. At the San Jose project a total of 12,000 metres ("m") was drilled and at the Tepal project a total of 7,178m was drilled. The Company also announced initial Canadian National Instrument ("NI") 43-101 mineral resource estimates in respect of both properties. These NI 43-101 estimates were prepared by International Mining Consultants A.C.A Howe International Limited.

The Company has also expanded its senior management team with the appointment of Graham Tye, a Spanish speaking mining engineer with over 25 years of industry experience, as Chief Operating Officer.

Qualified Person

Mr. Jim Williams. Eur Ing, Eur Geol, BSc, MSc, D.I.C., FIMMM, and Chief Executive Officer of Arian, is a "Qualified Person" as defined in the AIM guidelines of the London Stock Exchange, and a "Qualified Person" as defined in the Canadian Securities Administrators National Instrument 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

The Company has 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 hectares ("Ha"). The property also came with a significant infrastructure, including a 4 x 4 metre ramp, which extended for nearly 3km along the footwall of the San José Vein

("SJV") system, and a 350m deep, 500 tonne per day, vertical shaft with hoist. Assuming the option is exercised in full, the Company will pay to the vendor \$1.5 million in instalments over three years to acquire the property. In addition, the Company will 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.

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

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

During the period the Company completed its phase-one 12,000m drilling campaign on the property. This programme consisted of 65 drill holes over only 4km of the 12km of strike length of the SJV.

In March 2008 the Company announced an initial NI 43-101 mineral resource estimate for the property (see the Company's press release dated March 3, 2008 entitled "Initial NI 43-101 Resource Calculation at San Jose"), details of which are set out in the table below. The resource estimate was derived from approximately 50% of the drill holes as the results from 34 holes were not available for the database modelling cut-off date in mid-December 2007. The remaining samples from drilling and underground sampling are currently with the assay laboratories and the results from these are awaited. The Company anticipates that the updated the initial resource estimate will be completed in Q3, 2008 once the Company has integrated the results of the remaining drill holes of the phase-one drilling campaign into the resource model.

The initial resource estimate is 27.6 million ounces of silver, 64.6 million pounds of lead and 147.5 million pounds of zinc in the inferred mineral resource category. This inferred mineral resource is from holes drilled to an aggregate core length of 3,600m and is contained within a 4km section comprising four currently defined mineral resource blocks along the strike of the SJV. These blocks currently cover an aggregate strike length of some 1,600m within the 4km strike length and extend to a depth of 200m. The percentage of oxide, transitional and primary material is undefined as part of these preliminary "inferred" estimations.

San Jose Inferred Mineral Resource Estimates

Zone	Tonnes	Contained Metal			
		Ag	Pb	Zn	Ag
		g/t	%	%	(oz)
Block 450	3,592,000	100.9	0.09	0.26	11,655,124
Santa Ana	2,823,000	103.8	0.44	1.17	9,422,371
Solidad	1,659,000	108.5	0.78	1.42	5,789,640
Guanajuatillo	282,000	85.4	0.25	0.36	775,592
Total	8,356,000	102.8	0.35	0.8	27,642,727

1. Cut-off grade of 0 g/t Ag
2. Ag = Silver. Pb = Lead. Zn = Zinc.

3. *The mineral resource estimates are in accordance with CIM and JORC standards*
4. *The effective date of the mineral resource estimates is 26 February 2008*
5. *The estimates are based on geostatistical data assessment and preliminary computerised IDW³, Ag grade wireframe restricted, linear block modelling*

The “qualified person”, as such term is defined in NI 43-101, who prepared the mineral resource estimates disclosed above, is Mr. James Hogg. Mr. Hogg is an employee of A.C.A. Howe International Limited and is a member of the Australian Institute of Geoscientists and Prospectors and Developers Association of Canada.

The area covered by this initial resource statement represents approximately 30% of the known strike length of the SJV within the concessions controlled by Arian. In relation to this section of the strike length, the areas in between the four resource blocks were not yet linked together with sufficient data points to form a minimum compliant (“Inferred”) resource for the enlarged area. However, subsequent in-fill drilling has shown the continuation along at least a 4km strike length within the 12 plus km strike length of the SJV system between the Solidad and Santa Ana resource areas. The programme has also discovered several additional new veins within the San Jose Property.

Between the Santa Ana and Solidad resource blocks is a 550m section of the SJV that has not been explored. With the enlargement of the drilling programme to 12,000m, ten holes were drilled into this gap area. Recent assay results from this area have returned bonanza silver grades (2.1m grading 1058 g/t silver), and indicate that the Solidad and Santa Ana areas may be part of a single much larger mineralized zone.

The table below sets out the latest batch of drill sample results that were announced in April 2008 (see the Company’s press release dated April 7, 2008 and entitled “Further Bonanza Grades Intersected at San Jose”). Further results are pending from 29 drill-holes and will be released when received. The drill results are tabulated using a Ag cut-off grade of 150 g/t over a minimum core length of 1m.

Hole ID	Notes	Core Length	True Thickness	Silver	Lead	Zinc
		(m)	(m)	(g/t)	(%)	(%)
SJ-07-030	San Jose Vein	3.15	2.2	644	0.17	0.36
SJ-07-031	San Jose Vein	6.45	4.6	155	1.1	1.78
Inc.		2.45	1.7	232	0.85	1.65
SJ-07-032	San Jose Vein	8.15	5.8	509	0.86	1.69
Inc.		2.95	2.1	1058	0.65	1.17
SJ-07-032	New Vein – SJ FW vein	3.05	2.15	202	1.13	1.74
SJ-07-033	San Jose Vein	35.2	19.3	Assay Results Pending		
SJ-07-039	New Vein – San Gerado Vein	2.4	-	272	0.1	0.44
Inc.		1.0	-	369	0.09	0.61
SJ-07-043	Stockwork zone	41.75	-	186	0.1	0.44
Inc.	New Vein – SJ HW Vein 1	1.4	-	285	0.1	0.58
Inc.	New Vein – SJ HW Vein 2	2.85	-	399	0.2	0.68
SJ-07-044	SJ HW Vein 2	3.65	-	239	0.1	0.46

Arian has started a Phase-2 drill programme on the property to follow on the encouraging results obtained to date. This programme is designed to both further infill drill areas between the currently defined resource blocks of the SJV and in

addition to drill further along strike in both a westerly and easterly direction. Parallel and sub-parallel vein structures mapped using modern-day systematic techniques such as LandSAT Imaging, aerial mapping and geophysics will also be targeted.

A total of 40 trenches located 25m apart, perpendicular to strike of the main SJV, were cleared and made ready for sampling.

The following schedule shows project expenditure:

	Three months ended March 31	
	2008 \$'000	2007 \$'000
San Jose		
Mining & option rights	384	51
Drilling & exploration	375	-
Geology – logging & sampling	71	-
Administration	55	-
Total	885	51

The above expenditure has been capitalised as an intangible asset save in respect of administration costs which is expensed.

Additional information in respect of the San Jose Project is contained in a technical report prepared by A. C. A. Howe International Limited dated April 30, 2007 and entitled “Technical Report on the San Jose Project, Zacatecas, Mexico”. A copy of this report can be obtained from SEDAR on www.sedar.com

Tepal Project, Michoacán State

The Company has an 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 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.

The Phase-1 drill programme was completed with 7,178m drilled by mid-March 2008 and comprised 42 drill holes.

In March 2008 the Company announced an initial NI 43-101 mineral resource estimate for the property (see the Company’s press release dated March 10, 2008 and entitled “Initial NI 43-101 Resource Calculation at Tepal”), details of which are set out in the table below. The input data for the resource estimate was derived from 31 verified historical core holes and 23 Arian core holes drilled to a depth of approximately 3,400m. The results from an additional 15 holes were not available for

the database modelling cut-off date in December 2007. The results from these holes, together with the remaining holes from the Phase-1 drill programme, which was completed in March 2008, will be modelled for an updated resource statement. The Company anticipates updating the initial resource estimate in Q3, 2008.

This initial resource estimate of 78.8 million tonnes containing 1.2 million ounces (oz) of gold and approximately 422 million pounds of copper is currently in the “inferred” mineral resource category and contained within two distinct mineralised zones (North and South Zones).

Tepal Inferred Mineral Resource Estimates

Zone	Type	Tonnes (‘000)	Grade			Contained Metal		
			Au g/t	Cu %	AuEq g/t	Au (oz x 000’s)	Cu (Mlbs)	Au Eq (oz x 000’s)
North	Oxide	45,404	0.46	0.27	1.04	674	254.07	1,521
South	Oxide	33,440	0.47	0.23	0.99	506	167.45	1,061
Total		78,844	0.47	0.24	1.03	1,180	421.53	2,582

1. Cut-off grade of 0.18 g/t Au
2. Au = Gold. Cu = Copper
3. The mineral resource estimates are in accordance with CIM and JORC standards
4. The effective date of the mineral resource estimates is 3 March 2008
5. The estimates are based on geostatistical data assessment and preliminary computerised IDW³, Ag grade wireframe restricted, linear block modelling

The “qualified person”, as such term is defined in NI 43-101, who prepared the above mineral resource estimates, is Mr. James Hogg. Mr. Hogg is an employee of A.C.A. Howe International Limited, and is a member of the Australian Institute of Geoscientists and Prospectors and Developers Association of Canada.

In April 2008 the Company announced additional drilling results from the Phase-1 programme (see press release dated April 14, 2008 and entitled “Drilling Intersects 110 Metres Grading 1.13g/t AuEq at Tepal”), which are set out in the following table:

Tepal Drill Programme – using a cut-off grade of >5m width, grading >0.5 g/t AuEq

Hole ID	From (m)	To (m)	Length (m)	Au (g/t)	Cu (%)	AuEq* (g/t)
AS-07-023	188	200.6	12.6	0.31	0.27	0.92
AS-07-024	No Significant Results					
AS-07-025	106	161	55	0.20	0.20	0.65
AS-07-027	No Significant Results					
AS-07-028	98	188	90	0.37	0.18	0.77
Inc	120	158	38	0.64	0.30	1.32
Inc	166	182	16	0.29	0.19	0.72
AS-07-029	47.25	201	153.8	0.27	0.18	0.68
Inc	62	80	18	0.65	0.35	1.46

Inc	82	108	26	0.41	0.18	0.83
Inc	148	174	26	0.21	0.21	0.70
Inc	178	192	14	0.33	0.34	1.10
Inc.	196	201	5	0.30	0.19	0.74
AS-07-030	0	150	150	0.30	0.15	0.64
Inc	0	78	78	0.43	0.21	0.90
AS-07-031	56	200.5	144.5	0.41	0.24	0.95
Inc	56	166	110	0.49	0.28	1.13
AS-07-032	0	126	126	0.28	0.27	0.90
Inc	0	70.9	70.9	0.35	0.29	1.00
Inc	102.8	126	23.2	0.33	0.46	1.39
AS-07-033	21.05	198	177	0.38	0.22	0.89
Inc	21.05	108	87	0.44	0.27	1.04
Inc	112	174	62	0.45	0.22	0.96
AS-07-034	No Significant Results					
AS-07-041	No Significant Results					

*AuEq grades calculated using metal prices of US\$600/oz Au and US\$2/lb for Cu, and assuming 100% recovery.

Although exploration has concentrated on a core drilling programme, some regional surface sampling has been undertaken, with a view of identifying further targets for drilling. This surface sampling work is on-going and so far the initial results have been very encouraging.

The following schedule shows project expenditure:

	Three months ended March 31	
	2008	2007
	\$'000	\$'000
Tepal		
Mining & option rights	9	3
Drilling & exploration	297	-
Geology – logging & sampling	68	1
Administration	26	15
Total	400	19

The above expenditure has been capitalised as an intangible asset save in respect of administration costs which is expensed.

Additional information in respect of the Tepal Project is contained in a technical report prepared by A. C. A. Howe International Limited dated September 18, 2006 and entitled "Technical Report on the Tepal Project, Michoacán, Mexico". A copy of this report can be obtained from SEDAR on www.sedar.com

Calicanto Group, Zacatecas District, Zacatecas State

The Calicanto Project consists of five adjacent mining concessions totalling approximately 74 Ha namely: Calicanto, Vicochea I, Vicochea II, Misie and Missie 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, work continued on sampling and surveying the historic mine workings and preparations made for a Phase-2 drill programme for the Calicanto Property. The Phase-2 budget amounts to \$941,500 and the programme is planned to commence in Q3 2008. Diamond drilling will focus on further defining the high-grade structures discovered by the Phase-1 drilling. Ramp development will continue with the San Buenaventura ramp to see if additional Misie system veins are present. The Company will continue in installing ladders in shafts and prospects to allow them to be surveyed and sampled.

The following schedule shows project expenditure:

	Three months ended March 31	
	2008 \$'000	2007 \$'000
Calicanto Group: Zacatecas		
Mining & option rights	1	1
Drilling & exploration	17	180
Geology – logging & sampling	5	16
Administration	10	10
Total	33	207

The above expenditure has been capitalised as an intangible asset save in respect of administration costs which is expensed.

Additional information in respect of the Calicanto Project is contained in a technical report prepared by A. C. A. Howe International Limited 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 on www.sedar.com

Exploration and development commitments as at March 31, 2008

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 relation to the San Jose option agreement the Company is required to pay the vendor \$1.5 million in instalments over the three-year period through to December 2009 and will also grant the vendor a Net Smelter Royalty ("NSR") of 2%. At March 31, 2008, \$288,000 had been paid and the next payment of \$380,000 is due June, 2008.

(b) In relation to the Tepal option agreement 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 March 31, 2008, \$800,000 had been paid and the next payment of \$500,000 is due June 2008.

(c) In relation to the Calicanto option, the Company is required to pay \$370,000. At March 31, 2008, \$156,000 had been paid. Since the period end a further \$124,000 has been paid and the next and final payment of \$90,000 is due June 2008.

In relation to the Las Reinas option, at March 31, 2008, \$50,000 had been paid by the Company. However, no further options payments will be made as the Company will not be proceeding with its interest in this property group and is allowing the option to lapse.

The Company has the right to withdraw from the option agreements relating to San Jose, Tepal, Calicanto and Las Reinas at any time during the term of each option without financial penalty. All property payments are subject to a 15% Sales Tax (IVA).

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 year.

Three months ended March 31, 2008 compared to three months ended March 31, 2007

During the period the Company continued to explore its three principal projects in Mexico, namely San Jose, Tepal and Calicanto, undertaking and completing significant drilling programmes at San Jose and Tepal. The loss for the period was \$0.9 million, consisting of the expensing of the fair value of share options vesting of \$60,000 and administrative expenses of \$0.84 million. The loss for the comparative period in 2007 was \$1.1 million, of which the cost of expensing of the fair values of share options was \$0.1 million and administrative expenses were \$1.0 million. The material items of administrative expenses in the current period that were lower than for the comparative period in 2007 include professional and advisory fees, travel costs and an exchange rate variance.

SUMMARY OF QUARTERLY RESULTS

Unaudited	2008 1 st Quarter \$'000	2007 4th Quarter \$'000	2007 3rd Quarter \$'000	2007 2nd Quarter \$'000
Total Revenues	18	18	16	10
Net loss before exceptional items	921	1,240	1,119	1,553

Basic and diluted loss per share	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)
Net loss for the period	903	1,178	1,119	1,553
Basic and diluted loss per share	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.22)
Total assets	7,615	8,436	5,937	4,382
Shareholders' equity	7,249	8,100	5,757	3,898
Cash dividend declared per share	-	-	-	-
Unaudited	2007	2006	2006	2006
	1 st Quarter	4th Quarter	3rd Quarter	2nd Quarter
	\$'000	\$'000	\$'000	\$'000
Total Revenues	18	15	25	20
Net loss before exceptional items	1,043	953	777	611
Basic and diluted loss per share	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)
Net loss for the period	1,043	953	777	14,025
Basic and diluted loss per share	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.22)
Total assets	4,264	4,802	2,552	3,247
Shareholders' equity	3,909	4,423	2,144	2,838
Cash dividend declared per share	-	-	-	-

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 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.

First quarter 2007 vs. fourth quarter 2006

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. The cost of the fair value of share options vesting in the period of \$0.1 million in the quarter is \$0.06 million higher than the charge in the previous quarter. Intangible assets increased by \$0.4 million due to expenditure in respect of drilling programmes and other exploration work undertaken in Mexico. Shareholders' equity decreased following the placement of \$0.5 million of new common shares, offset by project expenditure and administration costs.

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 option 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 admission of the Company's shares to 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.

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.

See ***Risks and Uncertainties – Requirement of Additional Financing*** in the Company's 2007 Annual MD&A for details of additional risks associated with future funding of the Company.

During the three months ended March 31, 2008

Working Capital

As at March 31, 2008, the Company had working capital of approximately \$1.34 million (December 31, 2007: \$3.5 million). As detailed in ***Overview of Operations – Exploration and development commitments as at March 31, 2008*** the Company will need to make some material payments in order to maintain its interests in certain properties in good standing.

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

The most significant asset at March 31, 2008 was intangible assets of \$5.7 million (December 31, 2007: \$4.4 million). In addition, there were tangible assets of \$0.2 million (December 31, 2007: \$0.2 million) and receivables were \$0.9 million (December 31, 2007: \$0.7 million). Cash was \$0.9 million (December 31, 2007: \$3.1 million). Payables were \$0.4 million (December 31, 2007: \$0.3 million).

On May 29, 2008 the Company announced that it had raised Cdn\$3,023,000 by way of a private placement of 12,092,000 units (each a "Unit") at Cdn\$0.25 per Unit. Each Unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to acquire one common share of the Company at an exercise price of Cdn\$0.35 share for a period of 18 months from the closing date of the placement. The warrants are also subject to an accelerated exercise provision.

Off-balance sheet arrangements

The Company has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

During the three months ended March 31, 2008 and 2007, the Company entered into the following transactions involving related parties:

Companies in the Dragon Group charged the Company a total of \$119,645 (2007- \$182,552) 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. This arrangement continues until terminated by either party giving to the other six months notice in writing.

Kopane Diamond Developments PLC ("KDD") charged the Company a total of \$8,439 (2007- \$22,047) in respect of a recharge of certain directors' remuneration paid on behalf of the Company. James Cable and Tony Williams are both Directors of the Company and KDD.

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.

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 operations of the Company are speculative due to the high-risk nature of its business, which is the acquisition, financing, exploration and development of mining properties. The risks below are not the only ones facing the Company. Additional risks not currently known to the Company, or that the Company currently deems trivial, may also impair the Company's operations. If any of the following risks actually incur, the Company's business, financial condition and operating results could be adversely affected.

Risk factors, including those regarding resources, reserves, production, requirement of additional financing and currency risks have been detailed in the Company's 2007 Annual MD&A. Such risks have not changed during the first quarter of 2008.

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.

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, the mineral resource estimates contained in this MD&A, statements regarding exploration results, potential mineralisation, potential mineral resources, future production and the Company's exploration and development plans and objectives) are forward-looking statements. These forward-looking statements reflect the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking statements are subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements, and even if such actual results are realised or substantially realised, there can be no assurance that they will have the expected consequences to, or effects on the Company. Factors that could cause actual results or events to differ materially from current expectations include, among other things, failure to establish estimated mineral reserves, the

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

The mineral resource figures disclosed in this MD&A are estimates and no assurances can be given that the indicated levels of minerals will be produced. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While the Company believes that the resource estimates included in this press release 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 May 27, 2008:

	Number in issue
Common shares of no par value	119,459,969
Share options ⁽¹⁾	9,035,000
Share purchase warrants ⁽¹⁾	2,727,250

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