ARIAN SILVER CORPORATION

Management's Discussion and Analysis

of the Financial Condition and Results of Operations

Three and Nine Months ended 30 September 2010

COMPANY INFORMATION

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STOCK EXCHANGES	AIM Market of the London Stock Exchange TSX Venture Exchange Frankfurt Stock Exchange London's PLUS Market
TRADING SYMBOLS	AIM/PLUS: 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's Discussion and Analysis ("MD&A") has been prepared based on information available to Arian Silver Corporation ("Arian" or the "Company") as at 23 November 2010 and compares its financial results for the periods ended 30 September, 2010 with the equivalent periods of the previous year. This MD&A should be read in conjunction with the Company's 30 September, 2010 unaudited Consolidated Financial Statements and the related notes. All dollar amounts referred to in this MD&A are expressed in United States dollars, unless specifically stated otherwise.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING AND CONTROLS

The unaudited Consolidated Financial Statements of the Company for the three and nine months ended 30 September, 2010 (the "unaudited Consolidated Financial Statements") and the comparative amounts for 2009 have been prepared by management of the Company ("Management") in accordance with International Financial Reporting Standards ("IFRS") and have been approved by the Company's Board of Directors (the "Board"). The integrity and objectivity of the 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 judgements. 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 and the Company's 2009 Annual MD&A, both of which can be accessed on SEDAR at www.sedar.com or the Company's website at www.ariansilver.com.

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

REVIEW OF FINANCIAL PERFORMANCE

In the nine months ended 30 September 2010, the Company incurred an operating loss of approximately $1.2 million (2009 - $1.5 million). The Company does not yet generate any income from its operations. Interest income from cash resources was $4,000 (2009 - $nil). Investment income was $0.2 million (2009 - $nil), of which $0.1 million relates to the profit on disposal of part of the Company's holding of Geologix Shares, received in connection with the grant of the Tepal Option and $0.1 million relates to a fair value adjustment gain in respect of the balance of Geologix Shares held as at 30 September 2010 (*see Review of Operations - Tepal Project, Michoacán State and also Liquidity, Capital Resources and Working Capital*). The loss for the period was $0.9 million (2009 - $1.5 million).

As at 30 September 2010 the Company had working capital of approximately $4.0 million (31 December 2009 - $4.0 million). See *Liquidity, Capital Resources and Working Capital* for the principal items of working capital. Intangible assets amounted to $6.0 million (31 December 2009 - $7.7 million) which relate to deferred exploration and evaluation costs in respect of the Company's Mexican projects, excluding the Tepal project. The carrying value of the Tepal project has been transferred from intangible assets and is accounted for in current assets as non-current assets held for sale valued at $2.8 million (31 December, 2009 - $nil) as a result of the grant of the Tepal Option. The first instalment of the Tepal Option consideration from Geologix Explorations Inc ("Geologix"), which is non-refundable, is accounted for as a deferred income item of $1.5 million (31 December, 2009 - $nil) in current liabilities pending exercise or termination of the Tepal Option. Share capital reduced by $0.3 million to $37.9 million (31 December, 2009 - $38.2 million) largely as a result of the redemption and cancellation of the common shares issued in 2009 to Grafton Resource Investments Ltd ("Grafton"), the issue to Grafton of common shares for debt offset by the issue of common shares in connection with a share placement and the exercise of share purchase warrants and share options. During the period the Company repaid all current borrowings from new funds received.

REVIEW OF OPERATIONS

The Company currently owns, or has rights or options to purchase, 32 mineral concessions in Mexico totalling approximately 8,038 hectares as set out in the Property Summary below.

Property Summary

Project Name	No. of Concessions	Area in hectares ("Ha")
San José	11	6,279.5
Calicanto	7	75.5
Others	14	1,683.4

The Property Summary excludes the mineral concessions relating to the Tepal project, which are subject to the Tepal Option.

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 Canadian National Instrument 43-101 ("NI 43-101"), has reviewed and approved the technical information in this Review of Operations other than the mineral resource estimates referred to below.

San José Project, Zacatecas State

The San José property lies 55 kilometres to the South-East of Zacatecas City and covers 11 mining concessions totalling approximately 6,300Ha. The property has significant infrastructure, including a 4 x 4 metre ("m") main haulage 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.

During the period Arian paid the final instalment of $500,000, to acquire the remaining 33.33% interest in the San José mineral concessions, to give it 100% control of the San José Project.

In September 2010, the Company announced that all necessary contracts were in place for the proposed silver production operation at the San José mine and that it was moving into production (see the Company's press release dated 22 September 2010 entitled "Arian Silver Commences Silver Production"). Key points from that release are as follows:

- A 500 tpd contract mining operation at the San José Project has been mobilized to commence production;

- Mining is planned to operate 20 days per month. Total costs to mine and deliver ore to the mill are estimated at approximately US$26/tonne;

- The milling operation will initially handle up to 400 tpd with plans to increase the throughput with an upgraded crusher. Mill hire is a fixed cost at MXP3.7 million (approximately US$290,000) per month, subject to adjustment for any operating downtime. This includes all operating costs, maintenance and repair costs and consumables;

- At a milling rate of 400 tpd, 125 tonnes of concentrate should be produced per month with an anticipated silver content of between 370 and 440 ozs per tonne ("opt");

- Based on a contained silver content of 405 opt at US$18/oz silver, a concentrate value of US$6,500/tonne, after deductions, should be achieved;

- A 2% NSR on concentrate value payable to the vendor of the San José property; and

- Cash flow expected in Q4 of 2010.

The 500 tpd mining operation is limited to just three mining blocks, Ramal Norte, San José 75m Level Central Zone and Santa Ana, selected by Arian to support a four-year mine life with the potential to increase the mining rate to 1,500 tpd subject to milling capacity being available.

In October 2010, production at the San José mine commenced with ore being stockpiled for delivery to the mill. New underground development to reach the Santa Ana block, the first of the three target blocks to be mined, has progressed well and according to the mining plan. The development work is extracting a combination of payable and non-payable material. Payable Run-of-Mine ("ROM") material is being deposited on the stockpile pad outside the main San José mine ramp. The accumulation of this ROM material on the stockpile pad is designed to ensure a smooth and constant supply of material to the mill. It is anticipated that the first transportation of the Santa Ana ROM material to the mill will take place in the near future. Minor improvements to the mill are also progressing well with a view to increasing the mill efficiency.

Arian's previous two drill programmes along the SJV delineated both a JORC and NI 43-101 compliant resource estimates of approximately 43 million ounces of silver, 120 million pounds of lead and 250 million pounds of zinc within only approximately 10% of the known strike length of the SJV within the concession area. Arian's management considers the upside for material additional resources along the SJV system to be significant.

In November 2010, a new 10,000m drill programme was commenced which is aimed initially to delineate additional areas of high grade mineralisation and to upgrade existing resources, between the Santa Ana and Guanajuatillo resource areas along the SJV. The drill programme will also start to explore in detail the SJV system that lies to the west of the village of Guanajuatillo, which collectively accounts for approximately 90% of the known strike length of the SJV system. One drill rig has commenced drilling at San José and a second drill rig will be mobilised and operational shortly.

Also in November 2010, Arian contracted to purchase a semi-mobile laboratory, which is being sourced by Stewart Group's Geochemical & Assay Division (the "Stewart Group"). The laboratory comprises a comprehensive sample preparation facility, a fire assay laboratory and a wet chemistry laboratory that has facilities for Atomic Absorption Spectrometry ("AAS"). The laboratory will be under the sole control and operational management of professional personnel from the Stewart Group in order that results are fully compliant with Arian's quality assurance and quality control (QA/QC) programme. It is anticipated that the laboratory will be fully set up within approximately 6-8 weeks in a secure area on the mine compound at San José. Prior to the laboratory becoming operational, Arian will utilise the analytical services of the Stewart Group's sample preparation facility in Zacatecas. The Stewart Group, headquartered in the United Kingdom, provides a network of accredited laboratories and metallurgical services to mining and exploration companies.

Arian's overall objective is to develop additional resources on the San José property concurrently with the initial mining operation, complete a full feasibility study and move to large-scale independent commercial production.

In April 2010, the Company released a further batch of drillhole assay results from the Phase-2 drill programme that was completed in 2008 at San José (see the Company's press release dated 21 April 2010 entitled "Arian Silver Reports on Progress at San José").

The current JORC and NI 43-101 Resources at San José contained in the Report dated 15 August, 2008 are set out below:

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.

The following reports prepared by A.C.A. Howe International Limited relating to the San José project are available on the Company's website www.ariansilver.com or on SEDAR at www.sedar.com :-

a) Report dated 22 June, 2009 and entitled "Preliminary Economic Assessment Report (PEAR) on the San José Silver-Lead-Zinc Deposit, Zacatecas, Mexico"
b) Report dated 15 August, 2008 and entitled "Resource Estimation Update for the San José Silver-Lead-Zinc Deposit, Zacatecas, Mexico".

The following schedule shows project expenditure during the periods:

	3 months ended 30 September		9 months ended 30 September	
	2010	**2009**	**2010**	**2009**
San José	**$'000**	**$'000**	**$'000**	**$'000**
Mining & option rights	**-**	2	**516**	275
Drilling & exploration	**-**	-	**2**	2
Geology – logging & sampling	**4**	14	**34**	15
Administration	**36**	32	**119**	51
Total	**40**	48	**671**	343

The above expenditure has been capitalised as an intangible asset.

Calicanto Project, Zacatecas State

Arian owns 100% of the Calicanto Project which 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 under review there was no material operational activity in relation to this project.

The following schedule shows project expenditure during the periods:

	3 months ended 30 September		9 months ended 30 September	
	2010	**2009**	**2010**	**2009**
Calicanto Group: Zacatecas	**$'000**	**$'000**	**$'000**	**$'000**
Mining & option rights	**-**	10	**-**	519
Drilling & exploration	**-**	2	**-**	468
Geology – logging & sampling	**-**	13	**2**	193
Administration	**-**	24	**5**	76
Total	**-**	49	**7**	1,256

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 is available on the Company's website www.ariansilver.com or on SEDAR at www.sedar.com

Tepal Project, Michoacán State

In January 2010 Arian and Geologix entered into a definitive option agreement (the "Tepal Option") whereby Geologix may acquire the Tepal property. Pursuant to the terms of the Tepal Option, Geologix is responsible for fulfilling Arian's obligations under the original option agreement with the vendor of the property. Geologix may exercise the Tepal Option at any time prior to the expiry date of 23 February 2011. In the event of the expiry or prior termination of the Tepal Option, Geologix shall be responsible for returning the Tepal property to Arian in good standing.

A first instalment of $1.45 million, which is non-refundable, was paid by Geologix following the grant of the Tepal Option. In the event that Geologix exercises the Tepal Option a second instalment of $1.55 million is payable. *See Liquidity, Capital Resources and Working Capital*.

RESULTS OF OPERATIONS

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

Three months ended 30 September, 2010 compared to three months ended 30 September, 2009

The operating loss for the quarter was $0.4 million (2009 - $0.6 million). This loss includes the expensing of the fair value of share options vesting of $7,000 (2009 - $0.3 million) and other administrative expenses of $0.4 million (2009 - $0.3 million). Administrative expenditure was broadly in line with the same quarter in 2009. Investment income was $0.1 million (2009 - $nil) which relates to the gain on the disposal of Geologix Shares and the fair value adjustment gain on the balance of Geologix Shares held at the period end. Interest income was $nil (2009 - $nil). The loss for the period was $0.3 million (2009 - $0.6 million).

Nine months ended 30 September, 2010 compared to nine months ended 30 September, 2009

The operating loss for the period was $1.2 million (2009 - $1.5 million). This loss includes the expensing of the fair value of share options vesting of $14,000 (2009 - $0.3 million), other administrative expenses of $1 million (2009 - $1.1 million) and an exchange variance charge of $0.2 million (2009 - $0.1 million). Expenditure in the quarter was broadly in line with the same period last year. Investment income was $0.2 million (2009 - $nil) which relates to the gain on the disposal of Geologix Shares and the fair value adjustment gain on the balance of Geologix Shares held at the period end. Interest income was $4,000 (2009 - $nil). The loss for the period was $0.9 million (2009 - $1.5 million).

SUMMARY OF QUARTERLY RESULTS

Unaudited	**2010** 3rd Quarter $'000	**2010** 2nd Quarter $'000	**2010** 1st Quarter $'000	**2009** 4th Quarter $'000
Total Revenues	144	91	4	-
Net loss before exceptional items	411	469	270	552
Basic and diluted loss per share	$(0.00)	$(0.00)	$(0.01)	$(0.00)
Net loss for the period	267	273	371	356
Basic and diluted loss per share	$(0.00)	$(0.00)	$(0.01)	$(0.00)
Total assets	12,362	11,393	11,932	13,876
Shareholders' equity	10,099	9,490	10,010	11,743
Cash dividend declared per share	-	-	-	-

Unaudited	**2009**	**2009**	**2009**	**2008**
	3rd Quarter $'000	2nd Quarter $'000	1st Quarter $'000	4th Quarter $'000
Total Revenues	-	-	-	11
Net loss before exceptional items	588	446	482	399
Basic and diluted loss per share	$(0.00)	$(0.00)	$(0.00)	$(0.02)
Net loss for the period	588	446	481	388
Basic and diluted loss per share	$(0.00)	$(0.00)	$(0.00)	$(0.02)
Total assets	14,042	12,993	8,198	7,551
Shareholders' equity	11,643	12,045	7,631	7,296
Cash dividend declared per share	-	-	-	-

Third quarter 2010 vs. second quarter 2010
Revenues of $0.2 million were from investment income of which $0.1 million is profit from the sale of Geologix Shares and $0.1 million is the fair value adjustment gain on the Geologix Shares held at 30 September 2010. The net loss in the period was broadly the same as the loss for the previous quarter. Cash increased by $0.9 million to $2.4 million. Intangible assets increased by $0.3 million in the period due to fluctuating exchange rates. The increase in shareholders' equity is largely attributable to the exercise of share purchase warrants and options offset by the loss incurred in the period.

Second quarter 2010 vs. first quarter 2010
Revenues were from investment income as a result of financial gain on the Geologix shares held as part consideration for the sale of Tepal. The net loss in the period was $0.2 million higher than for the previous quarter mainly due to a $0.2 million exchange rate gain on cash balances held in the first quarter. Cash decreased by $0.6 million to $1.5 million. Intangible assets decreased by $0.2 million in the period due to fluctuating exchange rates. The decrease in shareholders' equity is largely attributable to the loss incurred in the period.

First quarter 2010 vs. fourth quarter 2009
Revenues were from bank deposit interest. The net loss in the period was $0.3 million lower than for the previous quarter mainly due to a $0.2 million exchange rate gain on cash balances held. Cash increased by $2.0 million to $2.1 million largely as a result of the Placement. Intangible assets decreased by $1.8 million mainly due to the reclassification of the Tepal project to non-current assets held for sale, partly offset by a $0.5 million property payment made in respect of the San José property. The decrease in shareholders' equity is largely attributable to the redemption and cancellation of common shares issued in 2009 to Grafton offset by the common shares issued in connection with a debt settlement and the Placement that took place in the period.

Fourth quarter 2009 vs. third quarter 2009
The net loss in the period was $0.2 million lower than the previous quarter largely due to a tax adjustment relating to the available for sale asset. Cash decreased by $0.7 million to $0.1 million mainly due to the Tepal property payment of $0.5 million. Intangible assets increased by $0.4 million, of which $0.3 million related to exchange rate fluctuations. The decrease in shareholders' equity is largely attributable to the loss incurred in the period.

Third quarter 2009 vs. second quarter 2009
The net loss in the period was $0.2 million higher than the previous quarter largely due to $0.3 million expensing of the fair value of options offset by $0.1 million writeback of the fair value of lapsed options in the period. Cash increased by $0.6 million to $0.8 million mainly due to a $0.5 million loan from Geologix for the Tepal property payment. Intangible assets increased by $0.4

million mainly due to an accrual made for the Tepal property payment of $0.5 million. The decrease in shareholders' equity is largely attributable to the loss incurred in the period.

Second quarter 2009 vs. first quarter 2009
The net loss in the period was $0.1 million lower than the previous quarter largely due to a reduction in legal fees which in the first quarter were higher due to the Grafton transaction. Cash remained at $0.2 million. Intangible assets increased by $0.7 million, with $0.5 million of this increase a result of exchange rate fluctuations. The increase in shareholders' equity is largely attributable to the increased share capital as a result of completion of the second part of the share exchange transaction with Grafton that took place in the period.

First quarter 2009 vs. fourth quarter 2008
The net loss in the period was $0.1 million higher than for the previous quarter due to increased legal fees in respect of the Grafton transaction. Cash decreased by $0.6 million to $0.2 million and intangible assets increased by $0.2 million mainly due to a property payment made on the San Jose property. The increase in shareholders' equity is largely attributable to the increased share capital as a result of the share exchange transaction with Grafton that took place in the period.

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

During the period the Group received new funding from:-

- a private placement financing of units ("Units") each consisting of one common share of the Company and one-half of a common share purchase warrant (the "Placement"). The Placement raised Cdn$3,499,857 through the issue of 69,997,139 Units at Cdn$0.05 per Unit. In addition 600,000 Units were issued in satisfaction of Cdn$30,000 of finder's fees payable in connection with the Placement. As part of the Placement, 35,298,569 "F" share purchase warrants were issued.

- the first instalment of $1.45 million under the Tepal Option granted to Geologix. Settlement was effected by way of a cash payment of $725,000 and the balance of $725,000 through the issue of 3,434,193 Geologix shares (the "Geologix Shares") at a price of Cdn$0.22 per share. The Geologix Shares are listed on the Toronto Stock Exchange.

- the sale of 2,442,193 Geologix Shares at prices varying between Cdn$0.23 and Cdn$0.40, which generated Cdn$674,035.

- the exercise of 650,000 share purchase options and 6,528,116 "F" share purchase warrants which generated £35,750 and Cdn$652,812 respectively.

Also during the period:-

- the share exchanges in 2009 with Grafton were reversed and the Company redeemed and cancelled the 109,090,909 common shares issued to Grafton at the original issue price of Cdn$0.055 per share in consideration for the redemption of the 128,591 Grafton participating shares (the "Grafton Shares") issued to the Company.

- the Company issued to Grafton 15,762,000 common shares at Cdn$0.05 per common share in settlement of $750,000 of outstanding loans and repaid to Grafton the $300,000 balance of the loans.

- following receipt of the first instalment under the Tepal Option, the Company repaid to Geologix a loan of $517,500.

Since the period end the Group has received further funding from:-

- the sale of the balance of 992,000 Geologix Shares at prices varying between Cdn$0.40 and Cdn$0.57 raising proceeds of Cdn$487,221.

- the exercise of 325,000 share purchase options and 8,729,083 "F" share purchase warrants which generated £17,875 and Cdn$872,908 respectively.

The following share purchase warrants and options are currently outstanding each entitling the holder to acquire one common share of the Company:

- 20,041,370 "F" share purchase warrants at an exercise price of Cdn$0.10 per common share expiring 22 January 2011.

- 11,225,000 share purchase options with exercise prices of £0.12/Cdn$0.25 and £0.055/Cdn$0.10 and expiry dates of June 2013 and July 2014.

It is anticipated that additional funding will be generated by cash flow from the contract mining operation at the San José Project. In addition, on full exercise of the Tepal Option, a second instalment amounting to $1.55 million is due from Geologix in February 2011, which, at Geologix's election, may be made in cash, or up to 50% in Geologix's shares valued at the 10-day average closing price immediately prior to the time of payment.

Working Capital – 30 September, 2010

As at 30 September, 2010, the Company had working capital of approximately $4.0 million (31 December, 2009 – $4.0 million). The principal items of working capital and changes compared to the 31 December 2009 (amounts) are as follows:-

Current assets

- cash and cash equivalents $2.4 million ($0.1 million) – increase has largely arisen through funds from the Placement, sale of Geologix Shares and the exercise of share purchase warrants and options.
- investments - available for sale assets $nil ($5.6 million) – decrease due to the redemption of the Grafton Shares.
- other financial assets at fair value through profit and loss $0.3 million ($nil) – relates to the fair value of the balance of Geologix Shares.
- non-current assets held for sale $2.8 million ($nil) – relates to the carrying value of the Tepal project reclassified from intangible assets as a result of the grant of the Tepal Option.

Current liabilities

- current borrowings $nil ($1.6 million) – decrease arises from repayment of loans from Grafton and Geologix.
- deferred income $1.5 million ($nil) – relates to the value of the non-refundable first instalment of the Tepal Option consideration pending exercise of the Tepal Option.

Off-balance sheet arrangements

The Company has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

During the nine months ended 30 September, 2010 and 2009 the Company entered into the following transactions involving related parties:

Transactions with key management personnel

(a) Companies in the Dragon Group charged the Company a total of $102,679 (2009 – $126,492). This includes reimbursement of $89,378 (2009 – $89,905) in respect of Tony Williams' remuneration paid on behalf of the Company with the balance relating to the provision of support services, office accommodation and other reimbursable expenses incurred on behalf of the Company. At 30 September, 2010 $20,465 (2009 - $34,413) was outstanding. Tony Williams, Chairman and a director of the Company, beneficially owns the Dragon Group.

(b) Kopane Diamond Developments PLC ("KDD") charged the Company a total of $47,980 (2009 – $67,764). This includes reimbursement of $19,471 (2009 – $26,114) in respect of James Cable's remuneration paid on behalf of the Company with the balance relating to the provision of office accommodation and reimbursable expenses incurred on behalf of the Company. The Company charged KDD $21,679 (2009 – $26,109) for the provision of accounting support services. At 30 September, 2010 $21,318 (2009 - $50,865) was outstanding due to KDD and $8,473 (2009 - $26,935) was outstanding due from KDD. James Cable and Tony Williams are Directors of the Company. James Cable is a Director of KDD and Tony Williams is a former Director of KDD.

Transactions with subsidiaries

The Company made loans to Arian Silver de Mexico S.A. de C.V. of $131,736 (2009 - $387,784).

PROPOSED TRANSACTIONS

See *Liquidity, Capital Resources and Working Capital* 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.

Going Concern

The directors currently believe that the Group has adequate financial resources or access to such resources in order to continue in operational existence for the foreseeable future and to meet its currently projected working capital and project expenditure requirements for the next 12 months. They therefore believe it appropriate to prepare the Group's financial statements on a going concern basis.

Resource Properties, Deferred Exploration and Development Costs

All costs related to the exploration of mineral properties are capitalised until either the properties are brought into production, at which time they are amortised over the estimated life of the project, or until the properties are sold, or title rights allowed to lapse, or are abandoned or determined not to be commercially viable, at which time they are charged to the income statement.

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

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

Share based payments

The share option 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 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.

The Company will require additional financing for working capital and for any future exploration of its projects. Failure to obtain such financing may result in a suspension of, or delay or reduction in, the exploration and development of the Company's projects and/or even a loss of one or more property interests.

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. If the Company is unable to raise such financing, it may not be able to meet its ongoing working-capital and other capital and/or exploration expenditure commitments, which may have a material adverse effect on the Company.

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.

Risk factors, including those regarding resources, reserves, production, requirement of additional financing and currency risks have been detailed in the Company's 2009 Annual MD&A which can be accessed on SEDAR at www.sedar.com or the Company's website at www.ariansilver.com.. Such risks have not changed during the reporting period of 2010.

Forward Looking Statements

This MD&A contains certain "forward-looking statements". All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements relating to the mineral resource estimates, statements regarding the contract mining and milling operation at the San José Project (the "SJ Mining Operation"), the ability of the Company to achieve, maintain and possibly increase planned levels of production from the SJ Mining Operation, the ability of the Company to generate positive cash flow from the SJ Mining Operation to fund a drilling program on the SJV system, the ability to implement a proposed drilling program on the SJV system and the Company's exploration, development and production 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, the performance of the contractors and plant engaged in relation to the SJ Mining Operation, failure to achieve anticipated production levels and mineral grades for ore from the SJ Mining Operation, failure to establish estimated mineral reserves, the possibility that future exploration results will not be consistent with the Company's expectations, uncertainties relating to the availability and costs of financing needed in the future, changes in 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 out the outstanding securities of the Company as at 23 November, 2010:-

	Number in issue
Common shares of no par value	273,247,742
Share purchase options	11,225,000
Share purchase warrants	20,041,370

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