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**Trading Symbols**

AIM: AGQ

TSX-V: AGQ

“PLUS”: AGQ

FWB: I3A

**31 May, 2011**

**ARIAN SILVER'S MD&A AND RESULTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2011**

**London, England, Arian Silver Corporation** ("Arian" or the "Company") (TSXV: AGQ) (AIM: AGQ) (FRANKFURT: I3A), a silver exploration, development and production company with a focus on projects in the silver belt of Mexico, today announced the release of its Management's Discussion and Analysis ("MD&A") and unaudited Financial Statements ("Financials") for the three months ended 31 March 2011.

The MD&A and Financials are available at SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.ariansilver.com](http://www.ariansilver.com). These documents can also be obtained on application to the Company. The following information has been extracted from the MD&A and Financials. The financial information in this announcement does not constitute full statutory accounts.

**Arian's Chief Executive Officer, Jim Williams, commented today,** "Work during the first quarter focussed on mining at our San Jose property and the production of silver-bearing concentrate at our exclusively leased mill, and on further exploration drilling along the western extension of the San Jose Vein. However, with the transition from an explorer to a producer we have faced a number of challenges particularly with the custom mill and plant which was not specifically designed for the San Jose ore. These have been largely responsible for the small loss for the San Jose mining operation in the first quarter. The measures we are taking to upgrade the custom mill combined with other recent actions will, we anticipate, lead to much improved recoveries and increased revenues from production. In addition to the improvements to the mining and milling operations we anticipate releasing an up-dated resource estimate for the San Jose property in the coming months as well as starting another drilling programme with a view to drilling the entirety of the San Jose Vein within our concession boundaries. We continue to anticipate that funding for our operations, including ongoing exploration, will be satisfied by working capital and cash flow from production. Working capital at the end of Q1 was in excess of \$10 million."

**OVERVIEW OF FIRST QUARTER OF 2011 AND SUBSEQUENT EVENTS**

**Financial** (all amounts expressed in US dollars unless otherwise stated)

- Total assets of \$19.6 million, including intangible assets of \$2.2 million, property, plant and equipment of \$5.9 million, trade and other receivables of \$1.6 million and cash of \$8.9 million, as at 31 March 2011.

- Consolidated pre-tax loss for the quarter was \$8.4 million including a non-cash share options expense of \$7.3 million.
- Working capital was \$10.5 million, as at 31 March 2011.
- Revenue of \$1.1 million and a gross loss of \$213,000 for the quarter ended 31 March 2011 for the San José mining operation.
- Geologix Explorations Inc (“Geologix”) exercised the Tepal option and the final instalment of \$1.55 million was paid as to \$775,000 in cash and \$775,000 in Geologix shares. A loss of \$52,000 was reported on the sale, due to foreign exchange.
- Further exercise of share purchase warrants and options generated Cdn\$1.7 million and £66,000 in the quarter.

### **Operations**

- San José production
  - Mining production 19,462 tonnes and milling production 21,128 tonnes.
  - Concentrate tonnes produced 146 and silver ounces produced 46,136.
- San José exploration
  - Phase 3 drilling complete and awaiting final assays.

### **Post 31 March 2011**

- A new dedicated laboratory facility at San José was commissioned and became operational in April 2011.
- Results to date from the drilling programme continue to confirm the presence of significant silver mineralisation and that the SJV remains completely open along strike and to depth.
- Upgrades to the custom mill are continuing.
- An independent update of resource estimates is planned for the near future following completion of current drill programme.
- Decisive action taken at the plant to increase recoveries.

### **REVIEW OF FINANCIAL PERFORMANCE**

In the quarter ended 31 March 2011, the Company incurred a pre-tax loss of \$8.4 million (2010 - \$0.4 million) which includes recognising the fair value expense of share purchase options vesting of \$7.3 million (2010 - \$8,000) and other administrative expenses of \$0.8 million (2010 - \$0.3 million). Interest income from cash resources was \$11,000 (2010 - \$4,000). Investment loss was \$0.1 million (2010 - \$0.1 million).

As at 31 March 2011, the Company had working capital of approximately \$10.5 million (31 December 2010 - \$10.2 million). See *Liquidity, Capital Resources and Working Capital* for the items of working capital. Intangible assets amounted to \$2.2 million (31 December 2010 - \$1.2 million) which relate to deferred exploration and evaluation costs in respect of the Company’s Mexican projects. Property, plant and equipment amounted to \$5.9 million (31 December 2010 - \$5.4million); \$5.8 million of this relates to the San José mine development costs. Share capital increased by \$1.9 million to \$47.2 million (31 December 2010 - \$45.4 million) as a result of the issue of common shares in connection with the exercise of share purchase warrants and options.

## REVIEW OF OPERATIONS

The Company currently owns 32 mineral concessions in Mexico totalling approximately 8,038 hectares (“ha”).

### San José Project, Zacatecas State

The San José property lies 55 kilometres to the southeast 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 (“SJ Ramp”), which extends for nearly 3.2km along the footwall of the San José Vein (“SJV”) system, and a 350m deep, 500 tonne per day (“tpd”), vertical shaft with operational hoist. In addition, a number of shallower vertical shafts are located in a westerly direction along the SJV.

### Production information

The production information for San José mine for Q1 was as follows:

	Q1 2011	Q4 2010
Head grade - Ag grams per tonne	178	154
Tonnes mined	19,462	7,600
Tonnes milled	21,128	3,385
Concentrate tonnes produced	146	22
Ounces produced	46,236	9,462
Ag ounces per concentrate tonne produced	316	439

### Mining operations

The initial mining operation is limited to the Ramal Norte/Sur, San José 75m Level Central Zone and Santa Ana resource blocks, selected by Arian, from seven delineated resource blocks, to support an initial four-year mining operation with the potential to increase the mining rate to 1,500 tpd subject to milling capacity being available.

From January to the end of March 2011 approximately 120m were developed along the main westerly strike of the SJ Ramp in a combination of ROM and waste material. In addition, some 73m were developed off the main SJ Ramp, initially in a northerly direction before running parallel and with a steeper decline; this was to access deeper seated sulphide-rich material of the Santa Ana Block (less oxidation) which should further increase recoveries at the mill. Anticipated grades of silver in this area, based on diamond drilling information, are in the order of 450 g/t.

Mining expectations remained unchanged at 500 tpd for the contract mining operation. Mining was planned to operate 20 days per month. Total costs to mine and deliver ore to the mill were estimated at approximately \$26/tonne.

### Milling operations

It was previously reported that Arian produced in March 934kg of silver in concentrate. The subsequent reconciliation process with the Smelter resulted in a disagreement between Arian and the Smelter’s silver assays. Following further independent test sampling it has been concluded the production of silver in concentrate for March 2011 was 481kg. Arian has implemented actions to ensure that the Smelter and plant results are consistent. Concentrate recoveries are anticipated to increase as new reagents are tested in the plant and greater efficiencies are achieved.

Milling expectations also remain unchanged at a milling rate of 400 tpd (for 20 days), up to 125 tonnes of concentrate was forecast to be produced per month with an anticipated silver content of between 370 and 440 ounces per tonne (“opt”).

Based on a contained silver content of 405 opt at \$30/oz silver, a concentrate value of \$11,000/tonne, after deductions, was forecast to be achieved although the higher the silver price, which is calculated based on a quotation period paying the average of the second month after delivery, the greater the return.

As previously reported, the mill, even though rated at 400 tpd throughput, only started with a daily throughput of 120 tonnes; this was essentially due to the hardness and abrasiveness of the San José ROM material causing excessive wear and tear on the milling components. This was partially overcome with the installation of a reconditioned impact crusher in the circuit to finer grind the ROM material before the ground rock entered the flotation stage of the plant. Currently the milling throughput is still in the order of 300 tpd.

The mill and plant both require additional improvements and work is currently being undertaken on the filter to dry the concentrate much more rapidly than natural drying. Meanwhile, an additional 200 tpd mill is currently being installed to further increase mill throughput. Discussions are continuing to progress with the mill owner to extend the lease term for an additional two years beyond the current term that expires in June 2011.

A 2% NSR (net smelter royalty) on concentrate value is payable to the vendor of the San José property.

### Exploration

Arian's major drill programmes from 2006 along the SJV delineated a JORC Code compliant resource estimate of approximately 33.8 million ounces of silver, 95.5 million pounds of lead and 205 million pounds of zinc in the "inferred" mineral resource category and 9.0 million ounces of silver, 24.6 million pounds of lead and 42.2 million pounds of zinc in the "indicated" mineral resource category from seven delineated resource blocks. The NI 43-101 compliant mineral resources mentioned above for these same seven blocks are summarized in the table 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<sup>3</sup>, Ag grade wireframe restricted, linear block modelling.
5. The resource was estimated using 830 drill hole samples and 1122 underground samples.
6. Resource figures were prepared by Galen White, Qualified Person and author of the August 2008 report.
7. Tonnage figures have been rounded up or down to the nearest 1000 t.
8. Ag ounces have been calculated using 31.1035 g = 1oz.
9. Pb and Zn tonnes have been calculated using 2204.622 lbs = 1 tonne.

It is important to note that the seven resource blocks that comprise these estimates represent only approximately 10% of the known strike length of the SJV within Arian's concession area. For this reason, Arian's Management considers the upside for material additional resources along the remaining 90% of the SJV system to be significant.

In May 2011 Arian completed the Phase three drill programme which commenced in November 2010, drilling over 10,000m.

The purpose of the drill programme was 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 also started 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. The results to date from the drilling continue to confirm the presence of significant silver and, in places lead and zinc mineralisation and that the SJV remains completely open along strike and to depth. In April 2011 the latest drilling results from the current drilling programme were released (see the Company's press release dated 4 April 2011 entitled "Arian Silver's continuing exploration drilling intercepts high-grade silver at San José").

It is anticipated that a resource estimation update will be completed during the summer months of 2011 and this process has already begun with the recent site visit by an independent consultant. It is also proposed to immediately

follow up the Phase three drill programme with another drill programme, details of which will be announced in due course.

The laboratory purchased in November 2010 from Stewart Group's Geochemical & Assay Division ("Stewart Group") has been commissioned and went operational in April 2011. The laboratory comprises a comprehensive sample preparation facility, a fire assay laboratory and a wet chemistry laboratory with Atomic Absorption Spectrometry ("AAS"). The laboratory should significantly increase the turnaround times for analysis of Arian's sampled cores and is being operated under the sole control and 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.

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

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

#### **LIQUIDITY, CAPITAL RESOURCES AND WORKING CAPITAL**

In management's view, the most meaningful information concerning the Group relates to its current liquidity and solvency.

During the period the Group received new funding from:-

- the exercise of 1,200,000 share purchase options and 17,342,000 "F" share purchase warrants which generated £66,000 and Cdn\$1,734,200 respectively.
- the exercise of the Tepal option by Geologix which resulted in the receipt of a final instalment of \$1.55 million, satisfied as to \$775,000 in cash and the issue of to the Company of 1,089,318 common shares of Geologix at a price of approximately Cdn\$0.70. The Geologix shares are subject to a four month hold period expiring in June 2011.

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

- 18,185,000 share purchase options with exercise prices in the range £0.055/£0.4925 or Cdn\$0.10/Cdn\$0.79 expiring on various dates up to January 2016.

#### ***Working Capital – 31 March, 2011***

As at 31 March, 2011, the Company had working capital of approximately \$10.5 million (31 December, 2010 – \$10.2 million). The items of working capital and changes compared to 31 December 2010 are as follows:-

##### *Current assets*

- cash and cash equivalents - \$8.9 million (2010 – \$8.3 million) – increase has largely arisen through funds from the final instalment received for the sale of the Tepal project and the exercise of share purchase warrants and options.
- assets held for sale - \$nil (2010 – \$2.9 million) – relates to the carrying value of the Tepal project reclassified from intangible assets as a result of the grant of the Tepal option. This has been sold in the quarter.

- trade and other receivables - \$1.6 million (2010 – \$0.9 million) – increase largely due to \$1.0 million relating to the trade debtor for the sale of silver concentrate from the San José mining operation, offset by \$0.3 million for the transfer of the deposit for the assay laboratory to non-current assets.
- inventories - \$0.4 million (2010 – \$0.1 million) – relates to stockpile held at cost relating to production at the San José mine.
- other financial assets at fair value through profit and loss -\$0.7 million (2010- \$nil) – relates to the Geologix shares received as part consideration for the final instalment for the sale of the Tepal project.

*Current liabilities*

- deferred income - \$nil (2010 – \$1.5 million) – relates to the value of the non-refundable first instalment of the Tepal option consideration pending exercise or termination of the Tepal option. This has now been realised in the quarter.
- trade payables - \$1.1 million (2010 – \$0.5 million) – the increase relates to invoices outstanding relating to the production and exploration costs at the San José project.

In relation to funding the Company's future operations, it is currently anticipated that this will be largely financed from existing working capital as well as from cash flow from the mining operation at the San José project.

**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 the Review of Operations other than the mineral resource estimates.

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### **About the Company**

*Arian is a silver exploration and development company and is listed on London's AIM; trades on London's "PLUS" market; is listed on Toronto's TSX Venture Exchange and on the Frankfurt Stock Exchange. Arian is active in Mexico, the world's second largest silver producing country. The Company's main project is the San José project in Zacatecas State. Part of Arian's forward-looking strategy lies in the envisaged use of large scale mechanized mining techniques over wider mineralized structures, which reduces the overall unit operating cost of metals, and to build up NI 43-101 compliant resources.*

Further information can be found by visiting Arian's website: [www.ariansilver.com](http://www.ariansilver.com) or the Company's publicly available records at [www.sedar.com](http://www.sedar.com).

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### **Forward-Looking Statements**

This press release 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, the ability to continue or implement proposed drilling programmes 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 and equipment engaged in relation to the SJ Mining Operation, failure to achieve anticipated production levels and mineral grades for ore from the SJ Mining Operation, failure to establish estimated mineral reserves, the possibility that future exploration results will not be consistent with the Company's expectations, uncertainties relating to the availability and costs of financing needed in the future, changes in the silver commodity price, changes in equity markets, political developments in Mexico, changes to regulations affecting the Company's activities, delays in obtaining or failures to obtain required regulatory approvals, the uncertainties involved in interpreting exploration results and other geological data, and the other risks involved in the mineral exploration and development industry. Any forward-looking statement speaks only as of the date on which it is made and, except as may be

required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.

The mineral resource figures disclosed in this press release 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.