Arian Silver's MD&A and Results for the Nine Months Ended 30 September 2011

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LONDON, ENGLAND -- (Marketwire - Oct. 31, 2011) - Arian Silver Corporation ("Arian" or the "Company") (TSX VENTURE: AGQ) (AIM: AGQ) (PLUS: 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 nine months ended 30 September 2011.

The MD&A and Financials are available at SEDAR at www.sedar.com and on the Company's website at 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, "Production work during the third quarter was focused on the continuing improvement of contract mining at our San José property and the production of silver-bearing concentrates at Arian's exclusively leased pilot-scale processing plant. I am pleased to report that Q3 results showed significant improvements in both operational and financial performances, specifically increases in mined and milled tonnage, and gross profit. It is anticipated that tonnes milled will increase further when a fourth inline ball mill becomes operational in the plant. The ongoing metallurgical information we are gathering from this toll milling operation is, and will continue to be, invaluable as we plan on further advances with milling. In addition, regarding the exploration work, we are aggressively drilling with a Phase 4 drill programme along the western extension of the San José Vein and have to-date drilled some 7,000m of a planned 10,000m. Once completed, we anticipate updating the independent resource estimate for the San José Vein, to complement the significant silver and base metal resources estimate reported this quarter. We are confident that funding for our operations, including ongoing exploration, will be satisfied by working capital and cash flow from production, and that Arian will remain financially strong as a result."

OVERVIEW OF THIRD QUARTER OF 2011 AND SUBSEQUENT EVENTS

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

- $0.5 million gross profit and $2.4 million revenue for the three months ended 30 September 2011.

- $0.4 million gross profit and $5.1 million revenue for the nine months ended 30 September 2011.

- Working capital was $7.5 million, as at 30 September 2011.

- Total assets of $16.9 million, including intangible assets of $2.1 million, property, plant and equipment of $6.4 million, trade and other receivables of $1.9 million and cash of $5.5 million, as at 30 September 2011.

- Consolidated pre-tax loss for the nine months ended 30 September 2011 was $10.5 million including a non-cash employee share options expense of $8.3 million.

Operations

- San José production Q3
33,941 tonnes mined
21,512 tonnes milled
204 silver concentrate tonnes produced
65,804 silver ounces produced
221 silver concentrate tonnes sold
77,587 silver ounces sold

- San José exploration

Phase-4 drilling programme continues
Extended the mill and plant lease for up to two years
Independent resource estimate updated by CSA Global (UK) Limited announced 20 July 2011:
88.45 million contained silver ounces, an increase of 105%
30.03 million ounces in the “indicated“ resource category
58.42 million ounces in the “inferred“ resource category
Plus lead and zinc

Post 30 September 2011

- As at the end of October 2011 Phase-4 drilling programme has drilled approximately 7,000 metres.

- On 24 October 2011 interim drill results were published showing continuity of vein thickness, silver mineralisation and grade.

THE STRATEGY

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

REVIEW OF FINANCIAL PERFORMANCE

In the nine months ended 30 September 2011, the Company incurred a pre-tax loss of $10.5 million (2010: $1.2 million) which includes a gross profit for the San José mine of $0.4 million (2010: $nil), recognising the fair value non-cash expense of share purchase options vesting of $8.3 million (2010: $14,000) and other administrative expenses of $2.2 million (2010: $0.7 million). Interest income from cash resources was $35,000 (2010: $4,000). Finance loss was $0.4 million (2010: $0.2 million profit).

As at 30 September 2011, the Company had working capital of approximately $7.4 million (31 December 2010: $10.2 million). See Liquidity, Capital Resources and Working Capital for the items of working capital. Intangible assets amounted to $2.1 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 $6.4 million (31 December 2010: $5.4million); $6.3 million of this relates to the San José mine development costs. Share capital increased by $1.9 million to $47.3 million (31 December 2010: $45.4 million) as a result of the issue of common shares in connection with the exercise of share options and share purchase warrants.

REVIEW OF OPERATIONS

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

San José Project, Zacatecas State

The 100%-owned San José property lies 55 kilometres (“km“) to the southeast of Zacatecas City and covers 11 mining concessions totalling 6,300 ha. The property has significant infrastructure, including a 4 x 5 metre (“m“) main haulage ramp (“SJ Ramp“) extending nearly 3.2 km along the footwall of the San José Vein (“SJV“) system, and a 350 m 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

Production information summary for San José mine is as follows:

	Q3 2011	Q2 2011	Q1 2011
Head grade - Ag grams per tonne	199	178	
Tonnes mined	33,941	22,387	19,462
Tonnes milled	21,512	18,348	21,128
Ag concentrate tonnes produced	204	144	1
Recovery %	47.76	56.66	38.08
Ag ounces produced	65,804	59,568	46,236
Ag ounces per concentrate tonne produced	323	412	
Ag ounces sold	77,587	41,868	38,772
Ag concentrate tonnes sold	221	117	126

Mining Operations

The initial mining operation is limited to the Ramal Norte/Sur, San José 75 m Level Central Zone and Santa Ana resource blocks. These were selected by Arian, from several delineated resource blocks, to support an initial pilot scale mining operation with the potential to increase the mining rate to circa 1,500 tpd subject to milling capacity availability.

From January to the end of September 2011, 227 m have been developed along the main westerly strike of the SJ Ramp, in a combination of Run-Of-Mine (“ROM“) and waste material. A substantial amount of ore has been intersected within the ramp, which is advancing in a westerly direction, and a new parallel, but steeper, decline ramp is being developed in largely waste material to ensure the maximum amount of sulphide-rich ore is extracted from the current blocks; this sulphide-rich ore is located, according to drilling information, deeper in the Santa Ana Block.

Contract mining expectations remained unchanged at up to 500 tpd. Mining was planned to operate 20 days per month. Total costs to mine and deliver ore to the mill are estimated at approximately $26/tonne.

Milling Operations

The lease with the custom/toll mill and plant owner was signed in July for a period of up to two years at a cost of MXP 6 million (approx. US$ 0.5 million)/month. There is an early break provision in favour of the owner of the plant in the event that an option to purchase the plant held by a third party is exercised on 31 October 2011. However, if this option is exercised, Arian currently believes it could negotiate its continued use with the new owner. The lease also has an early break provision in favour of Arian giving it the right to terminate the lease after twelve months.

The increase in the new lease cost is due to the installation and operation of an additional in-line 200 tpd ball mill which, when commissioned, should allow Arian to meet its expected milling target of 400 tpd (for 30 days) with up to 125 tonnes of concentrate to be produced per month and with an anticipated silver content of between 370 and 440 ounces per tonne (“opt“).

Although the mill has a maximum rating of 400 tpd, it is not designed for the hardness and abrasiveness of the San José ROM material. Arian therefore started with a daily throughput of just 120 tonnes but has now increased this to around 250 following ongoing fine-tuning of the operation. A reconditioned impact crusher was installed within the circuit to partly mitigate this issue by grinding the ROM material more finely before it enters the flotation stage of the plant.

This continuing phase of pilot-scale milling has, and continues, to allow Arian to review all key data providing Arian essential information to potentially build an optimised/bespoke plant, should it decide to pursue this route after all the test work and economic parameters have been evaluated. Arian is also currently reviewing other alternatives as well as continuing to work to improve the current mill design and recoveries.

Based on a contained silver content of 405 opt at a spot price of $30/oz silver, a concentrate value of $11,000/tonne, after deductions, is forecast. Although, the higher the silver price, calculated on a quotation period paying the average of the second month after delivery, the greater the return.

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

Exploration Drilling

In May 2011, Arian completed the Phase 3 diamond/core drill programme, which commenced in November

2010, having drilled over 10,000 m. The purpose of the drill programme was to delineate additional areas of mineralisation and to upgrade existing resources, between the Santa Ana and Guanajuatillo resource areas along the SJV. The drill programme had also started to explore in detail the SJV system that lies to the west of the village of Guanajuatillo. The results of Phase 3, which met with expectations, are included in the resource table under the heading 'Exploration Resource'.

In April and June 2011, the drilling results from the Phase 3 drilling programme were released (see the Company's press releases dated 4 April 2011 entitled “Arian Silver's Continuing Exploration Drilling Intercepts High-Grade Silver at San José“ and 27 June 2011 entitled “Arian Silver Reports Wide High-Grade Silver and Base Metal Intercepts“).

In June 2011, the Phase 4 drilling programme, commenced and at the end of September 2011, drilled 6,000 m. The purpose of this drilling phase is to drill the entire SJV, combining infill and step-out drilling with the objectives to: (1) Potentially increase inferred resources by step-out drilling in a westerly direction and, (2) To upgrade existing inferred resources into the Indicated category.

On 24 October 2011, Arian released interim drill results relating to the Phase 4 drilling programme. These show the continuity of the vein thickness, silver mineralisation and grade along the SJV (see the Company's press release dated 24 October 2011 entitled “Arian Silver Reports Encouraging Progress on Phase 4 Drilling at San José“).

Exploration Resource

On 20 July 2011, Arian reported a significant resource estimate upgrade (see the Company's press release entitled “Arian Silver Announces Significant Increase in Mineral Resources at San José“). The highlights of this announcement were:

- 86% increase in resource tonnage along the SJV over the August 2008 mineral resource estimate
10% higher average silver grade;
105% increase in contained silver; and
34% of gross silver mineral content now in the “indicated“ category.

- Mineral resource estimates based on all Phase-1, 2 and 3 drill holes (152 drill holes totalling over 28,000m); and

- Mineralisation remains completely open along the western strike and to depth.

Arian's resource estimate includes all drill programmes from 2006 along the SJV which has a delineated NI 43-101 and a JORC-compliant resource estimate of approximately 30.03 million ounces of silver, 69.9 million pounds of lead and 126.6 million pounds of zinc in the “indicated“ mineral resource category, and 58.42 million ounces of silver, 140.1 million pounds of lead and 291.1 million pounds of zinc in the “inferred“ mineral resource category. These NI 43-101 and JORC-compliant mineral resources are summarised in the table below:

		Average Grade		Contained Metal				
Resource Category	Gross Tonnages	Contained Metal	Ag	Pb	Zn	Ag	Pb	Zn
	(g/t)	%				%		
Indicated	8,000,000	117				0.40		
Inferred	17,000,000	107				0.37		

1. Geological characteristics and +30 ppm grade envelopes used to define resource volumes.
2. Each mineral resource estimate is in accordance with CIM standards.
3. The effective date of each mineral resource estimate is 15th July 2011.
4. The estimates are based on geological, statistical and geostatistical data assessment and computerised IDW3, Ag grade wireframe restricted, linear block modelling.
5. The resource was estimated using 152 drill holes and more than 28,000 metres.
6. Resource figures were prepared under the supervision of Malcolm Titley who is a Qualified Person (as defined in Canadian National Instrument 43-101).
7. Tonnage figures have been rounded to reflect this as an estimate.
8. Ag (silver) ounces have been calculated using 31.1035 g = 1oz.
9. Pb (lead) and Zn(zinc) tonnes have been calculated using 2204.622 lbs = 1 tonne.
10. The mineral resource is 100% owned by Arian.

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"; and

b. Report dated 15 August, 2008 and entitled "Resource Estimation Update for the San José Silver-Lead-Zinc Deposit, Zacatecas, Mexico".

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

Laboratory Update

The mobile laboratory, purchased in November 2010 from Stewart Group's Geochemical & Assay Division ("Stewart Group"), became fully operational in April 2011. It comprises a comprehensive sample preparation facility and fire assay and wet chemistry facilities with Atomic Absorption Spectrometry ("AAS"). It is 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. The laboratory has significantly increased the turnaround times for analysis of Arian's sampled drill cores. During the reporting period, the "Stewart Group" was acquired by the ALS Group; at the time of reporting there has been no change in (or with) our on-site laboratory personnel.

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, dewatering of the Calicanto shaft on the Calicanto Vein commenced; this was not at Arian's cost but at the cost of another mine operator adjacent to the property as the miner requires this water for their ongoing plant operation. Arian will commence further underground evaluation of the deeper levels of the Calicanto Vein once the water has receded to the appropriate level; this will include but not be limited to, mapping and underground sampling and subsequent analyses. There has been no significant expenditure on the Calicanto Project during the past two years.

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.

LIQUIDITY, CAPITAL RESOURCES AND WORKING CAPITAL

During the period, the Group received new funding from:

- the exercise of 1,400,000 share purchase options and 17,342,000 "F" share purchase warrants which generated £90,000 and Cdn$1,734,200 respectively; and

- 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 to the Company of 1,089,318 common shares of Geologix at a price of approximately Cdn$0.70 each.

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

- 18,485,000 share purchase options with exercise prices in the range £0.055/£0.4925 (Cdn$0.10/Cdn$0.79) expiring on various dates up to June 2016.

Working Capital – 30 September, 2011

As at 30 September 2011, the Company had working capital of approximately $7.5 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 - $5.5 million (2010: $8.3 million);

- 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 asset was realised on exercise of the option from Geologix during the period;

- trade and other receivables - $1.9 million (2010: $0.9 million) – increase due to the trade debtor for the sale of silver concentrate from the San José mining operation;

- inventories - $0.7 million (2010: $0.1 million) – relates to stockpile held at cost relating to production at the San José mine; and

- other financial assets at fair value through profit and loss - $0.3 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) – related to the value of the non-refundable first instalment of the Tepal option consideration pending exercise or termination of the Tepal option. This was recognised in Q1 2011 as part of the Tepal option exercise; and

- trade payables - $0.9 million (2010: $0.5 million) – the increase relates to invoices outstanding relating to the production and exploration costs 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.

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 or the Company's publicly available records at www.sedar.com.

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This press release does not constitute an offer to sell or a solicitation of an offer to buy any of the securities of the Company in the United Sates. The securities of the Company have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act“) or any state securities laws and may not be offered or sold within the United States or to U.S. persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available.

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.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) and no stock exchange, securities commission or other regulatory authority accepts responsibility for the adequacy or accuracy of this release nor approved or disapproved of the information contained herein.

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