ARIANA RESOURCES plc

Producer - Developer - Explorer

Ariana Resources PLC - **Annual Report & Accounts 2017**

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Ariana Resources is an AIM-listed gold exploration and development company operating in Turkey, the largest gold producing country in Europe

Our Objective

Our objective is to cost-effectively add value to our projects through focused exploration and to develop our operations, primarily through well-financed joint ventures.

Within Turkey, Ariana remains focused on maximising profitability at our Kiziltepe Mine, as part of the Red Rabbit Gold Project joint venture, whilst also targeting the discovery of multi-million ounce deposits for future development. Through a combination of local understanding, international expertise and efficient low-cost exploration, the Company intends to create value for its shareholders across its exploration and development portfolio.

Our Business Model

The Board of Ariana, unlike many of its peers, has experience in completing a full resource development cycle.

It has progressed several projects from the exploration stages through to development and then, in the case of Red Rabbit, to active gold mining operations. Ariana's aim is to reinvest our share of joint venture profits into further resource development. The Company aims to focus on high-value exploration projects to increase revenues for the Company in the long term.

Production Highlights

2017 Total Gold Production

10,191 oz

2017 Total Ore Processed

119,316 t

93%
Avg. Gold Recovery

3.47 g/t Au
Avg. Mined Grade

185,720 t
Total Ore Mined

Joint Venture Gold Sales for the Year

£0	2016
US$14,038,000	2017

Average Realised Effective Gold Price*

US$1,342/oz	Q3
US$1,402/oz	Q4

Cash Cost of Production

US$570/oz	Q3
US$585/oz	Q4

Silver Production Credits

15,985 oz	Q3
35,095 oz	Q4

*Effective gold price accounts for both the gold and silver sold during the period and is calculated by dividing the gross income by only the gold ounces sold in the period.

Resource Breakdown

Global JORC+ Resource **1,613,000 oz** gold eq.*

Salinbaş Project		Red Rabbit Gold Project			Other Projects	
Salinbaş	Ardala	Kiziltepe	Kepez	Tavşan	Kizilçukur	Ivrindi
703,000oz	323,000oz	338,000oz	27,000oz	178,000oz	33,000oz	11,000oz
44%	20%	21%	2%	11%	2%	1%

Note: Kiziltepe and Tavşan resources are 50% held by Ariana; Salinbaş and Ardala resources are 100% held by Ariana. Kepez resource kept seperate from the Kiziltepe total.
+ Joint Ore Reserves Committee (JORC) 2004 & 2012.
* Gross with respect to Red Rabbit JV & Salinbaş Project following resource updates in 2016, 2017 & 2018. Gold equivalency calculated on the basis of Au and Ag only, using a gold/silver price ratio of 60:1. The percentages calculated are rounded; resulting total sums to >100%.

Red Rabbit Gold Project
and wider project area

587,000 oz gold eq.*

** Comprising 543,000 oz Au eq. reported gross with respect to the Red Rabbit JV plus a further 44,000 oz Au eq. 100% attributable to Ariana.*

Salinbaş Project

1,026,000 oz gold eq.*

** Gold equivalency calculated on the basis of Au and Ag only, using a gold/silver price ratio of 60:1.*

Investment

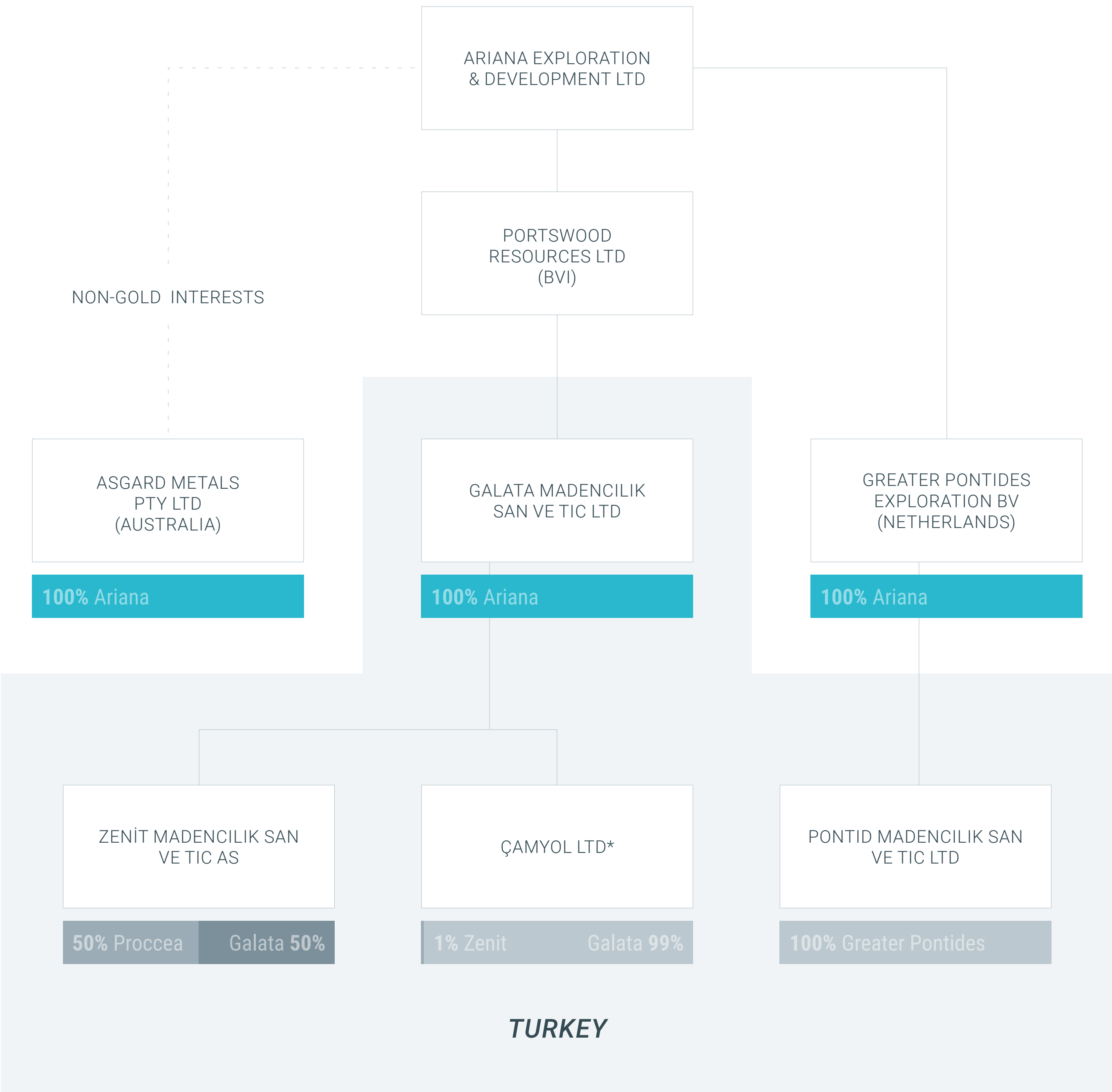
Asgard Metals

A$3.5 millon added to balance sheet from investments in energy metals.

STRATEGIC REPORT

Organisation Review

ARIANA RESOURCES plc



Note: Simplified organisational structure.
Ownership structures as at 1 June 2018.

**Çamyol Gayrimenkul, Madencilik, Turizm, Tarim ve Hayvancilik Ltd.*

Our Strategy

Strategy & Business Model

Our strategy is to achieve sustainable long-term growth of the Company via robust and cost-efficient gold exploration and development.

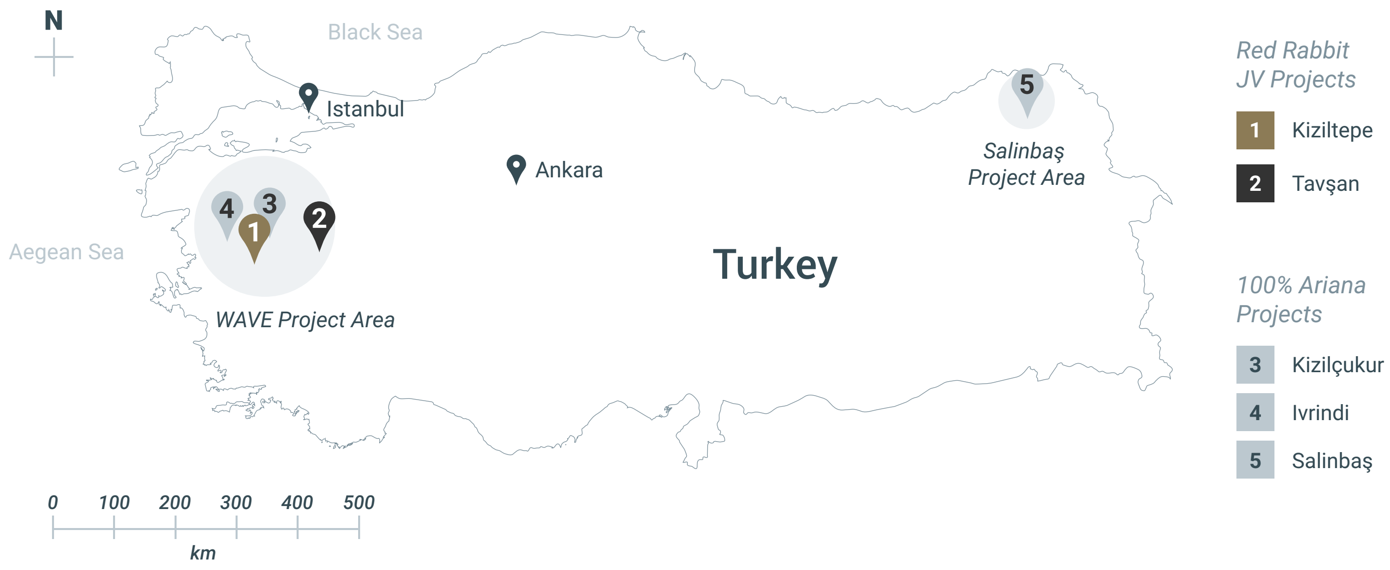
This has allowed us to identify, advance and develop projects rapidly at a discovery cost per ounce of gold less than half that of our peers.

We hope to achieve our strategy by:

- Focusing on the discovery of sizeable mineral systems;
- Building positive long-term relationships with local government, communities and key stakeholders;
- Developing a strong team with excellent commercial, technical and financial skills;
- Forming robust business partnerships for the development of gold projects;
- Executing selective, high-impact exploration programmes and joint venture opportunities; and
- Ensuring safe operating procedures and minimising environmental impact.

Delivering On Our Strategic Vision

Ariana's business model has been developed to maximise value by focusing on all stages of the exploration, development and production cycle. For more information on our projects, see the Operations Review on pages 15-25.



Exploration

Development

- Pipeline of exploration projects
- Increase substantially our global resources
- Enhancing the economic fundamentals and mine life at the Red Rabbit Gold Project ("RRGP")

Joint Ventures / Investments

- Diversification through joint venture project development and investments
- Value crystallisation through asset sales in technology-metals

Gold / Silver Production

- Delivery of production efficiency
- Robust future pipeline of additional resource ounces to maximise strong financial returns over the life of mine at Kiziltepe

Financial Highlights

- Profit before tax of £0.4 million
- Net current assets of £3.3 million
- Total net assets of £19.7 million

Where We Operate

Turkey represents a unique opportunity for gold exploration on the doorstep of Europe. Turkey lies within the globally significant Tethyan metallogenic belt, which hosts some of the world's largest gold, copper and silver deposits. Turkey is Europe's largest gold producer with 13 operating gold mines.

We are advancing our strategy on other mineral project opportunities in the country and globally through our wholly-owned subsidiary, Asgard Metals Pty. Ltd.

Principal Activity

Ariana Resources PLC is a public limited company incorporated and domiciled in Great Britain. The Company's shares are listed on the Alternative Investment Market (AIM) of the London Stock Exchange. The principal activities of the Company and its subsidiaries are related to the exploration and development of gold and technology-metals.

Chairman's Statement

The past year has opened a new chapter for Ariana Resources, having become one of only a handful of junior explorers on AIM to have transitioned successfully to producer status.

Indeed, in a broader context, the percentage of exploration and development companies ever achieving operational status is probably only just in double figures, which reflects the challenges inherent to our industry. This has represented a landmark year for your Company and we remain committed to operational matters at the Kiziltepe Mine, whilst launching the next phase of our business strategy.

It is worth recapping that the first phase of the strategy was to identify and develop gold resources in Turkey, with the goal of establishing a mine to generate sufficient free cash flow to enable the next phase of our development. With the dedicated Ariana team and our long-term partners, Proccea Construction Co., I am proud that we have been able to achieve these goals. This achievement is set against the backdrop of a precious-metals bear market and the complexities of mine permitting and stakeholder engagement in Turkey. Whilst such work occurs continuously and quietly in the background, the extensive effort to build trust with the Government, local authorities and communities, and our operational and financial partners in Turkey, should not be underestimated. It is safe to say that without this concerted effort, over many years, we would not be in production today.

The second phase of our development links three strands of our current portfolio: bringing on stream additional resources identified at the Kiziltepe Sector, planning and permitting of the Tavşan Sector of the Red Rabbit project, and continuing the exploration and development of our wholly-owned Salinbaş Project. It has been our long-held view that Salinbaş, located within the 'Hot Gold Corridor', contains resources well in excess of the 1 Moz we have already identified. The potential of Salinbaş has not gone unnoticed. We have attracted attention from several quarters, including Turkish construction firms and international gold producers. However, given the potential significance of this resource, we believe it is important that we better define the resource potential and be discerning in terms of any future partnerships or agreements we might conclude.

Before commenting in more detail about the forward strategy, it is necessary to emphasise our success in ensuring the Kiziltepe Mine achieves the targets we have set. I am pleased to report that since operational start-up, gold production has reached c.15,000 ounces and remains on trend above our feasibility target. Operating costs have been trending typically at less than US$600/oz. Meanwhile, debt repayments to Turkiye Finans Katilim Bankasi A.S. by the joint venture have been made on schedule. By the time this is in print, we will have already repaid approximately US$10 million, representing about a third of our total mine construction loan. This has increased our profile and credibility with the bank and provided a basis on which future project investments may be discussed with them. Achieving all of these targets during the initial operational period has required constant diligence and I would like to acknowledge the determination and dedication of our partners at Proccea and all of our staff within our joint venture company, Zenit Madencilik, for achieving such a flying start to our operations. We are also very proud to note the continuing positive stakeholder engagement from the local community in Sindirgi. We are pleased to witness the many local businesses that have been able to participate in the success of our mine and our approach to the careful cultivation of relationships in the local community remains very important to us.

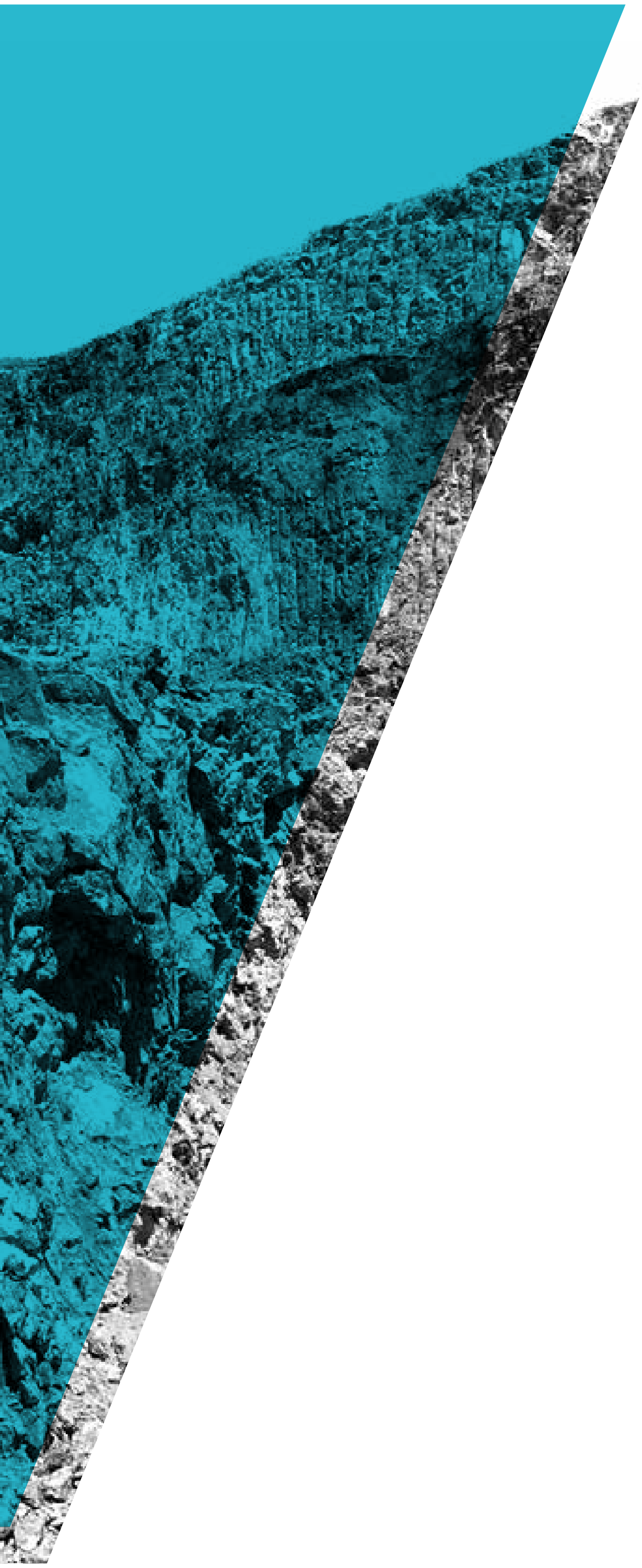
We acknowledge the continuing disconnect between our share price and the value of our assets when assessed in terms of the in-situ value of our resource and reserve ounces. On this basis alone, irrespective of any cash flow from Kiziltepe, we believe the share price should be multiples of the current level. However, whilst general market sentiment is not something we can control, we remain confident that true value will be recognised in the long term. We also believe that after a long bear run in gold stocks since early 2013, the outlook for the commodity is now more positive. It appears likely that the new Chairman of the Federal Reserve will slowly rein in the quantitative easing policy of the past decade and support resolving their significant debt burden with quietly inflationary measures. This augurs well for commodities and tangible assets. Over recent months the position for stocks generally has weakened and the froth has come off both cryptocurrencies and technology stocks.

Meanwhile, increasing political uncertainty around the world, is establishing the conditions for another global-level economic reset.

"the past year has opened a new chapter for Ariana Resources, having become one of only a handful of junior explorers on AIM to have transitioned successfully to producer status"

With that in mind, we are deeply cognisant of the evolving position of China as the world's largest gold producer and importer. Significantly, it is worth noting that as of March 2018 China is permitting future contracts for oil to be sold in Chinese Yuan, which are convertible to gold on the Shanghai or Hong Kong exchanges, thus bypassing the US dollar. We also note Chinese efforts on their gigantic Belt and Road Initiative (BRI) primarily to link trade across the world's largest continental landmass. Whilst naval strategic dominance has been important for the projection of power by the United States, and the British Empire before that, the BRI represents a paradigm shift that will transform future international relations by largely bypassing the importance of the world's oceans for trade. A significant part of the BRI passes right through Turkey along the routes that formed the ancient Silk Road, establishing a critical bridge between Moscow and Tehran as part of the new Silk Road Economic Belt. When looked at from this perspective, the long-term strategic logic behind much of the saga we have seen unfold recently between the West, Russia and Iran starts to come in to sharp focus. Recognising that Turkey represents a pivot between the strategic interests of the East and West, the presidents of China and Turkey agreed last year to strengthen cooperation as part of the BRI. Consequently, we expect the BRI to have a significant positive impact on trade and resource demand in Turkey over the foreseeable future.

Chairman's Statement *continued*



No commentary on China would be complete without mentioning the increasing demand for technology-metals and the desire to secure these from stable jurisdictions untainted by conflict issues. Commodities such as antimony, cobalt, copper, lithium, silver and tantalum, among others, are being sought globally to satisfy Chinese technological demand in particular. The common thread to each of these elements is their use in power generation, distribution and storage in a world that is slowly transitioning from fossil fuels as its primary source of grid-scale energy to decentralised networks of green-energy sources powering individual homes, offices and vehicles. It was with this broad-brush observation that the Company opportunistically acquired and then commercialised several lithium exploration projects in Australia in recent years. Following the successful vend of these projects in to two ASX-listed companies, the Company has since added A$3.5 million to the balance sheet from these deals, representing more than a 100-fold increase in value over our original investment. The Company continues to appraise opportunities in such technology-metals and will acquire projects of merit accordingly, particularly in the context of the BRI.

Spurred in part by our highly successful foray into technology-metals, we are now transitioning into a period in which we are no longer totally beholden to the market for funding. Since February 2018, we have started to receive regular repayments against our loans in the JV, the remaining balance of which amounts to approximately £2.5million. While this cash-flow is not yet sufficient to satisfy the higher demands on capital required for the next round of exploration and development of Salinbaş, it will enable us to proceed with our current work programmes and at a minimum meet our non-discretionary exploration spend. We will continue to appraise opportunities to undertake equity capital raises in the future, but since entering commercial production, we are expecting these to be conducted via the open offer route to existing shareholders. Alternatively, we will structure our capital requirements possibly utilising convertible debt facilities coupled to operational cash-flow. In addition to this, as an emerging growth company, we are making preparations to buy-back Ariana shares from the market in the longer term and a resolution is proposed for our Annual General Meeting to help us achieve this aim. We fully expect our shareholders to be supportive of such initiatives to enhance company value and specifically to advance our project pipeline through focused exploration and development activity. It is important to reiterate here, that it is only through successful exploration and development that we have reached this point in our evolution and we continue to see these activities as pivotal to our business model going forward.

To a large degree your Company now represents a free option on future exploration and development success, augmented by our exceptional track-record of delivery. This is clearly recognised by our brokers at Panmure Gordon, who have been highly supportive of our strategy and will be instrumental for our future development, as the Company continues to mature and as we begin to attract larger institutional interest. In line with this, we are continually implementing enhancements in investor communications, to ensure that shareholders and potential new investors are fully briefed on our wider and longer-term strategy. Consequently, during early 2018 we appointed Yellow Jersey to assist the Company with its investor relations and we are very pleased to be working with their proactive and energetic team. In the meantime, we will not lose sight of Ariana's core strengths and continue to capitalise upon them: efficient exploration, in-country expertise and financial frugality.

I am pleased to report that the Group generated a profit before tax of £0.4 million during the year showing an increase in share of profits from the Zenit joint venture following the commencement of commercial production. The Group's financial position remains strong with net current assets of £3.3 million and total net assets of £19.7 million.

In summary, I am very proud of the record of the Ariana team and our joint venture partners. We have delivered the first phase of our business strategy, despite market headwinds and often challenging circumstances. During 2017 we set out and achieved our production targets for Kiziltepe and I am pleased to note that our joint venture mining operations are continuing very much on track. I believe the Company's steadfast approach to driving our strategy and our consistent achievements provide our teams with the confidence to pursue the next phase of the Company's development successfully. Lastly, I again wish to thank all of our long-term shareholders for their unwavering support and their recognition of our strategic aims. It has been a long and, at times, tortuous journey for us all, but as a business we have truly turned a corner and, at every level, the future is very bright indeed.

Highlights

2017

January

- Continuity of extensive mineralisation confirmed at Arzu Central beneath cap rocks
- Mineralised extensions identified on several of the Kiziltepe main veins
- Significant new target areas identified following data review across the Salinbaş Project
- Placing raises £0.9 million from new and existing shareholders

February

- Potential for significant resource growth at Tavşan identified from drilling results
- First drilling results received for the Karakavak prospect indicating resource upside

March

- Gold and silver production commences with the first doré pour at the completed Kiziltepe Mine

May

- Major increase in the mineral resource at Kiziltepe based on 2016 drilling
- Vein extensions identified at Kiziltepe West, suggesting potential for further resource growth

June

- Operations proceeding better than plan at the Kiziltepe Mine
- Extensive resource target areas identified at the Tavşan Project
- Placing raises £2 million from new and existing shareholders

July

- Second quarter 2017 production results, confirming commercial production

September

- New exploration results within the Hot Gold Corridor at the Salinbaş Project

October

- Third quarter 2017 production results, showing operational cash costs at US$570 per oz

November

- Significant discovery made at Ardala North, near Salinbaş

December

- Gold discovery made at Salinbaş North

2018

February

- Fourth quarter 2017 production results, showing that >10,000 oz gold produced since start-up

March

- 2018 production guidance of 20,000 oz gold

April

- First quarter 2018 interim production results demonstrate continued operational success
- Tavşan resource estimate is updated to include Measured, Indicated and Inferred resources

May

- First quarter 2018 production results, showing operational cash costs at US$612 per oz

Operations Review

The year commenced with the Kiziltepe Gold Mine under deep snow, following a period of unusually heavy snowfall across western Turkey. While this had the effect of delaying our planned start-up and represented one final challenge for the Company, in March 2017 the mine entered production and has met, and largely exceeded, every operational target since. This is largely down to the supreme efforts of our joint venture team that have risen to every challenge thrown at them, for which they and our partners, Proccea Construction Co. must be congratulated.

During the year, the Company raised £2.9 million (before costs) in two well-supported placings undertaken with new and existing shareholders. These funds were primarily secured in order to support our partners while they met the brunt of the working capital demands of the newly commissioned Kiziltepe Mine, prior to commercial production being achieved. In addition, this capital enabled the Company to continue exploration at its 1Moz Salinbaş Gold Project, initiate feasibility-related work at the JV-owned Tavşan Gold Project and to conduct resource development work at the Kizilçukur Gold Project. As a result, the Company has made significant progress in each of these areas during the course of 2017 and into 2018.

As at year-end the Company had approximately £1 million in cash and available for sale investments remaining, which in addition to receipts from operational cash-flow that commenced post-period end from the Kiziltepe Mine, is sufficient for current 2018 work programmes and at a minimum meet our non-discretionary exploration expenditure.

Operations Review *continued*

Red Rabbit Gold Project Area

The Red Rabbit Gold Project comprises the Kiziltepe and Tavşan Sectors located within the Tethyan metallogenic belt of western Turkey. The Project is being advanced in partnership with Proccea Construction Co. via a 50:50 joint venture. During the year the Kiziltepe Mine entered production and up to the end of Q1 2018 had produced in excess of 15,000 ounces of gold, with a target future annual production rate of 20,000 ounces. The Company remains focused on increasing its production profile through targeted exploration and development work across both the Kiziltepe and Tavşan Sectors. The joint venture is focused on achieving production from both sectors in the coming years, with the aim of increasing output to 50,000 ounces per annum.

Resource Estimate Table for Kiziltepe / Tavşan (RRGP JV)

Kiziltepe Area	Tonnes (t)	Grade Au (g/t)	Grade Ag (g/t)	Au (oz)	Ag (oz)
Main Vein Zones					
Measured	922,192	3.3	53.1	99,028	1,575,259
Indicated[1]	1,342,055	1.9	38.8	81,550	1,673,281
Measured & Indicated	2,264,247	2.5	44.6	180,537	3,248,211
Inferred	1,292,054	1.5	32.4	63,557	1,346,7426
Subsidiary Veins					
Inferred	257,039	1.5	32.8	12,561	271,058
Global Total	**3,813,340**	**2.1**	**39.7**	**257,463**	**4,886,059**

Tavşan Area	JORC Category	Tonnes (t)	Grade Au (g/t)	Grade Ag (g/t)	Au (oz)	Ag (oz)
Main	Measured	537,000	1.8	4.0	30,090	68,600
Main & Satellites	Indicated	2,300,000	1.2	4.7	89,100	348,300
Main & Satellites	Inferred	1,142,000	1.3	4.6	120,100	416,900
Global Total		**3,979,000**	**1.3**	**4.5**	**168,900**	**571,700**

Figures are gross with respect to Red Rabbit JV - May 2017 (Kiziltepe) and April 2018 (Tavşan) resource estimates.

1. Excluding the Kepez resource.

2. Troy ounces of gold and silver have been calculated in the tables on the basis of 31.1035 g/troy oz.

During the year the Kiziltepe Mine entered production and up to the end of Q1 2018 had produced in excess of 15,000 ounces of gold, with a target future annual production rate of 20,000 ounces.

Operations Review *continued*

Kiziltepe Gold Mine

The Kiziltepe Gold Mine entered production in mid-March 2017 and declared commercial production in early July 2017, following a smooth transition through ramp-up. By the end of the year, the operation had recorded production of 10,191 ounces of gold and 65,600 ounces of silver, in line with expectations for the first year of operations. Operating cash costs were estimated to be less than US$600 per ounce, driven from revenue of £8.9 million. From this revenue, the joint venture will have paid down approximately one third of its US$33 million construction loan to Turkiye Finans Katilim Bankasi A.S. by the end of June 2018. In addition, repayments of loans made by Ariana into the joint venture company commenced on a monthly basis in early 2018 and have been accompanied by periodic VAT reimbursements.

During the year, the Company confirmed the continuity of vein mineralisation within the Arzu Central area beneath a sequence of cover rocks. This was the result of a highly successful drilling programme, which had been initiated in 2015 and continued during 2016. Vein mineralisation was intercepted in every drill hole with robust infill drilling results from the north-western end of Arzu South providing 7m @ 4.00 g/t Au + 27.51 g/t Ag, 12m @ 1.96 g/t Au + 34.45 g/t Ag and 11m @ 1.83 g/t + 45.07 g/t Ag. An arsenopyrite-rich style of mineralisation encountered c.70m from a previous bonanza-grade hole (12.1m @ 13.1 g/t Au+ 188 g/t Ag) provided an intercept of 11m @ 2.24 g/t Au + 11.06 g/t Ag. The south-eastern extension of Arzu North provided results including 8m @ 1.14 g/t Au + 15.64 g/t Ag, 2m @ 1.01 g/t Au + 17.50 g/t Ag and 1m @ 1.86 g/t Au + 46.30 g/t Ag. There remains substantial scope to identify further mineralised veins in the Arzu Central area, as the system represents a structural splay which widens towards Arzu North and Derya.

Kiziltepe 2017 Production

Mine Life
7 years (up to 10.5 year potential)

Cash Costs
US$ 570 oz Q3 2017
US$ 585 oz Q4 2017
US$ 612 oz Q1 2018

Processing
CIL/CIC

Production Rate
20,000 oz Au p.a.

JORC Resource
338,500 oz Au eq.

JORC Reserve
1.19Mt for 140,000 oz Au eq.
(Proven & Probable)

In-pit Grade
3.1 g/t Au; 39.8 g/t Ag

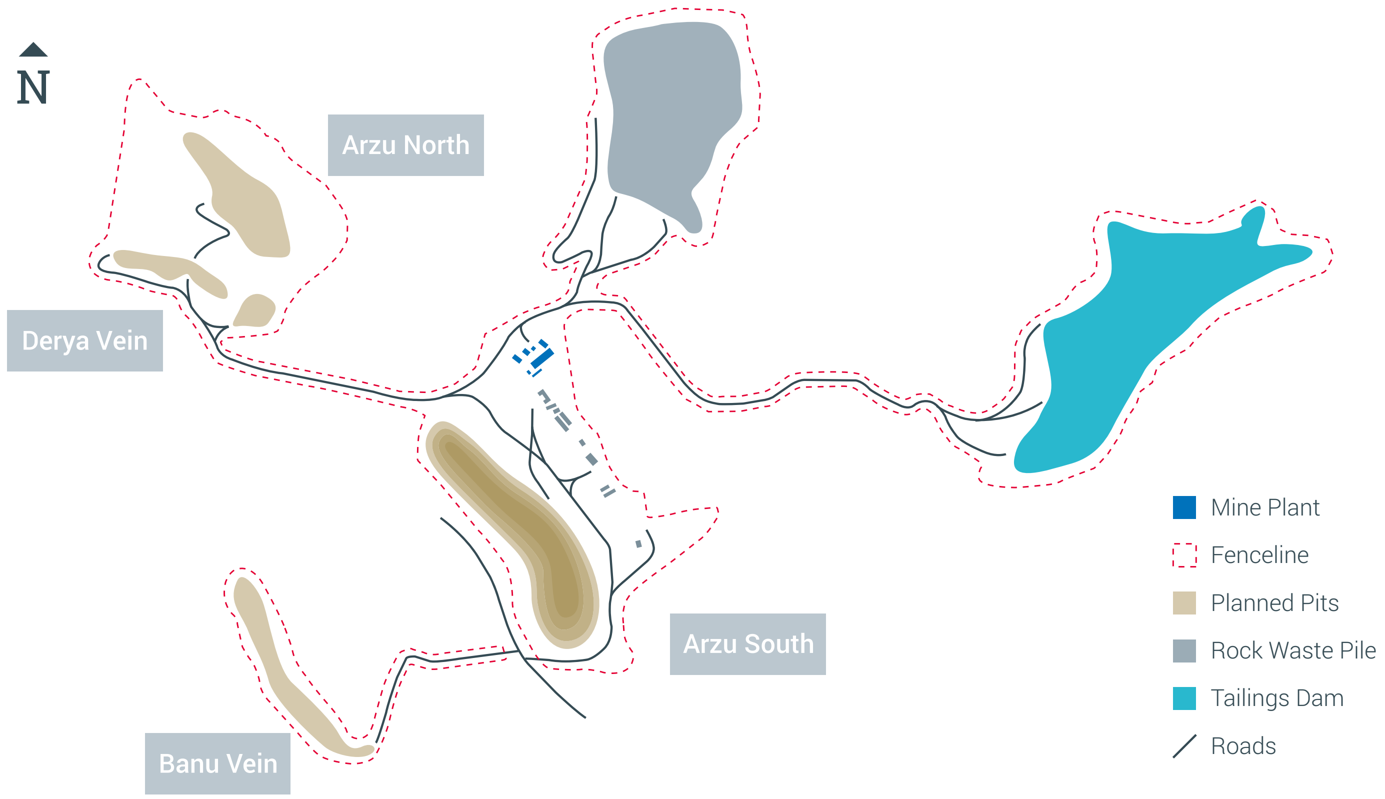
Payback
c. 2 years remaining on construction loan of US$33 million

Royalty
State Right and 2.5% NSR to Franco-Nevada

Following the modelling of this drilling data, the Company announced a major increase in the mineral resource for Kiziltepe, containing a global c. 340,000 ounces of gold equivalent, in addition to identifying several new mineralised extensions on existing vein systems. A JORC Exploration target of a further 1.25Mt at 1.8g/t Au + 31 g/t Ag (for c. 72,000 oz Au) was also estimated. Additional work at Kiziltepe West also demonstrated that there is scope for the mineralised vein system to extend across a further 4km to the west of the areas currently being mined, representing future exploration potential.

The Company also reported on the first drilling results from the Karakavak prospect indicating potential to define new resources in an area located 10km north-east of the Kiziltepe Mine. A total strike of 180m of outcropping veins were tested with best intercepts including 4m @ 1.72g/t Au, 3m @ 1.11g/t Au and 3m @ 1.06g/t Au all from within about 10m from surface. A further 2,150m of gold-bearing outcropping veins still remain untested by drilling.

The results of recent exploration programmes at the Kiziltepe Sector are very encouraging and will be integrated into a longer-term development plan for the project, involving larger and/or additional open pits.



Operations Review *continued*

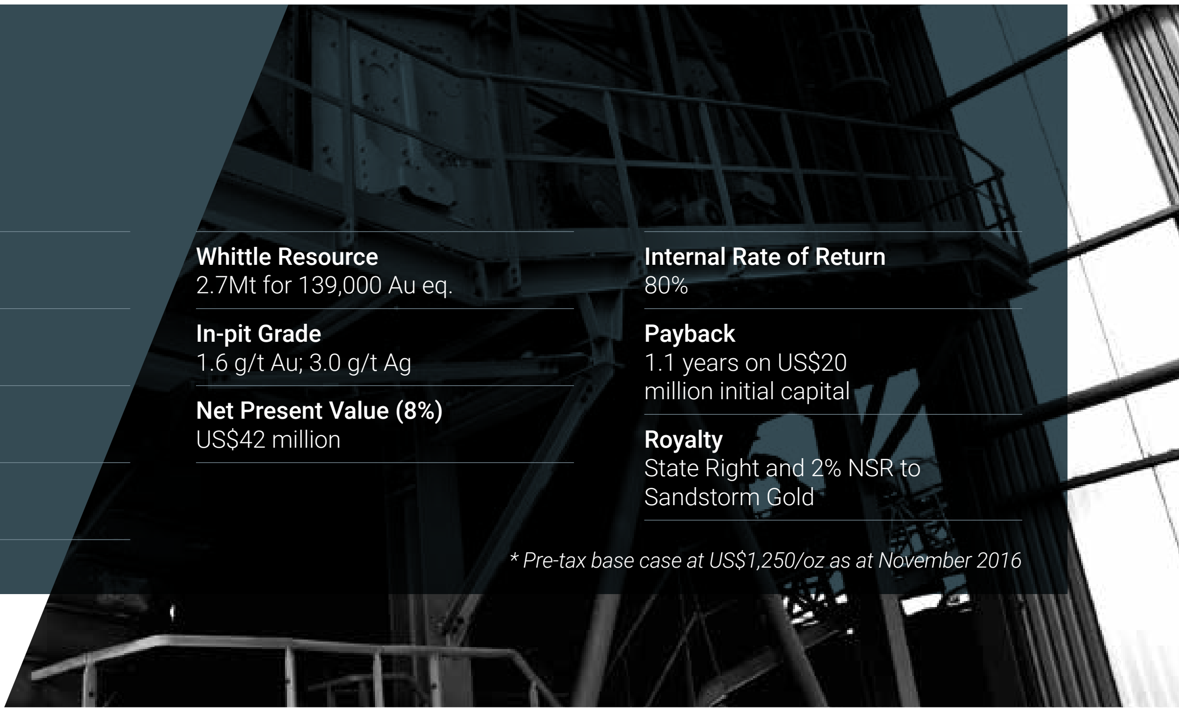
Tavşan Development Project

The Tavşan Gold Project demonstrates potential for the development of an extremely attractive low-cost and high-margin mining opportunity. A Scoping Study completed in 2016, demonstrated the economic potential of the current resource, while further resource upside which has been demonstrated through exploration, could enhance the economics even further. The management resource target at Tavşan is 300,000 oz gold, of which at least 200,000 oz gold is targeted to be accessible via open pit mining methods. This would result in an increase in potential mine life by a further c. 3 years to a total life of c. 7 years, producing at a rate of approximately 30,000 oz gold per annum.

At this stage, Tavşan is envisaged as a semi-autonomous satellite operation to the Kiziltepe Mine within the context of the broader Red Rabbit joint venture. Tavşan would likely share much of the management and operational infrastructure as Kiziltepe but will require the establishment of a separate heap-leach processing facility.

During the year, the project continued to demonstrate substantial opportunity for further resource growth. A new soil geochemical survey identified a number of areas that will require resource drilling. Some of these areas are known to contain mineralised jasperoid and contain several old antimony workings, which are typically associated with higher gold grades. Potential resource extensions are represented by a number of drill holes including 11m @ 5.11 g/t Au + 6.83g/t Ag, 6m @ 3.37g/t Au + 3.67g/t Ag and 9m @ 1.30g/t Au + 4.32g/t Ag within c.20m from surface.

Recent work completed by the joint venture also demonstrated the potential to better characterise the current resource, improving confidence in those parts of the resource that are located within the optimised pit shells of the Scoping Study. This work resulted in a revised resource estimate for Tavşan which was completed in 2018 and provided an improved global resource of 3.98Mt at 1.32 g/t Au and 4.46 g/t Ag for 168,900 oz Au and 571,700 oz Ag, contained largely within designed pit shapes. An additional JORC Exploration Target of up to a further 9.70Mt at 1.30 g/t Au (for c. 400,000 oz Au) was also estimated. The resource estimate substantially de-risks the Project, following a material improvement in the resource classification, with 71% of the resource now represented in the Measured and Indicated categories. The new resource classification enables the joint venture to proceed with a Feasibility Study and Environmental Impact Assessment ("EIA") for Tavşan, without significant further resource drilling.



Scoping Study Summary*

Mine Life
4 years

Cash Costs
US$630/oz

Processing
Heap Leach

Production Rate
30,000 oz Au eq. p.a.

Whittle Resource
2.7Mt for 139,000 Au eq.

In-pit Grade
1.6 g/t Au; 3.0 g/t Ag

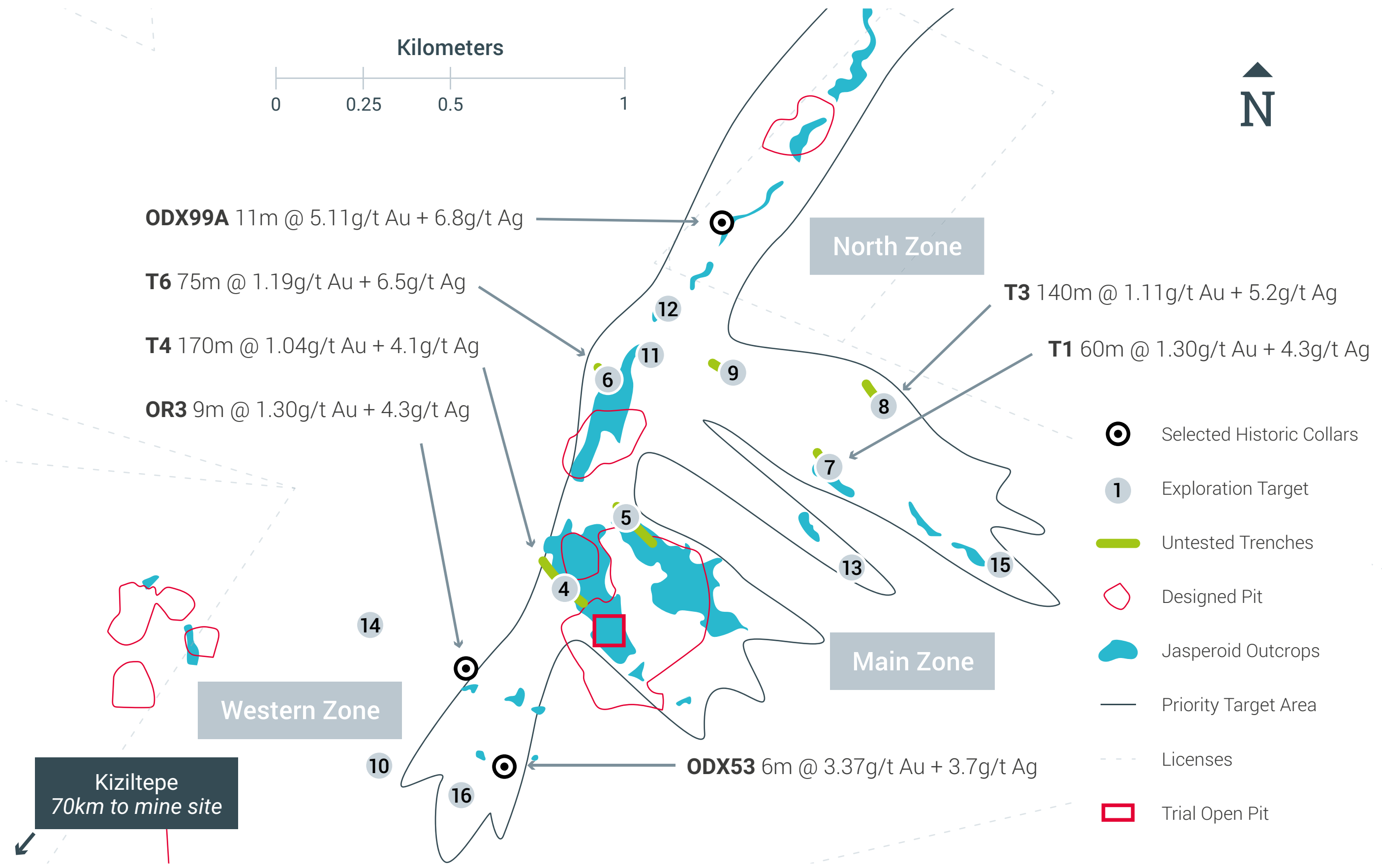
Net Present Value (8%)
US$42 million

Internal Rate of Return
80%

Payback
1.1 years on US$20 million initial capital

Royalty
State Right and 2% NSR to Sandstorm Gold

** Pre-tax base case at US$1,250/oz as at November 2016*



Operations Review *continued*

Salinbaş Exploration Project

In December 2016, Ariana completed the 100% acquisition of the Salinbaş Gold Project via a 2% Net Smelter Return ("NSR") royalty on future production granted to Eldorado Gold Corporation ("Eldorado") (TSX:ELD, NYSE: EGO). The project area is dominated by a large-scale mineral system, developed around a nested porphyry complex at Ardala which is significantly enriched in gold, silver, copper and molybdenum, with the associated gold-silver deposit at Salinbaş occurring on its western flank. While much of the work undertaken in 2017 concerned Salinbaş specifically, highly significant drill intercepts that warrant follow-up in the Ardala region include 125m @ 2.44 g/t Au + 0.3% Cu and 34.5m @ 1.75 g/t Au + 6.13 g/t Ag and 164m @ 0.16 g/t Au + 0.3% Cu + 120 ppm Mo.

The project, although already containing a JORC resource of c. 1Moz gold equivalent, remains only partially explored. There are several drilling results, rock-chip, soil and geophysical and geological targets that have not been tested to any significant degree. These targets are mainly defined within and around the Salinbaş and Ardala resource areas but several additional targets lie elsewhere within the 16km long Hot Gold Corridor. In particular, several significant rock-chip and soil anomalies are encountered in the Hizarliyayla area, which lies about 8km to the north of Hot Maden along the same geological trend.

Beyond the main Salinbaş deposit, several newly defined target areas became the focus of generative soil and rock-chip sampling work during 2017. In particular, the Ardala North target, covering an area of 1.5 x 0.5km, represents one of the most strongly and consistently anomalous areas for copper, lead and zinc within the Project, with significant potential for coincident precious metals. This area connects along a particular stratigraphic horizon to the Salinbaş North target, which shows significant potential for gold and silver mineralisation. This c. 550 x 150m zone of precious and base-metal anomalism provided peak results in soils of 3.83 g/t Au + 108 g/t Ag, 2.97 g/t Au + 94 g/t Ag and 1.67 g/t Au + 91 g/t Ag. This target represents the same horizon upon which the Salinbaş mineralisation is developed and is highly significant from a future exploration perspective. Consequently, other "Salinbaş-type" deposits are likely occur within the region and current exploration is targeting these or similar stratigraphic horizons accordingly with a view to identifying a multi-million ounce gold system.

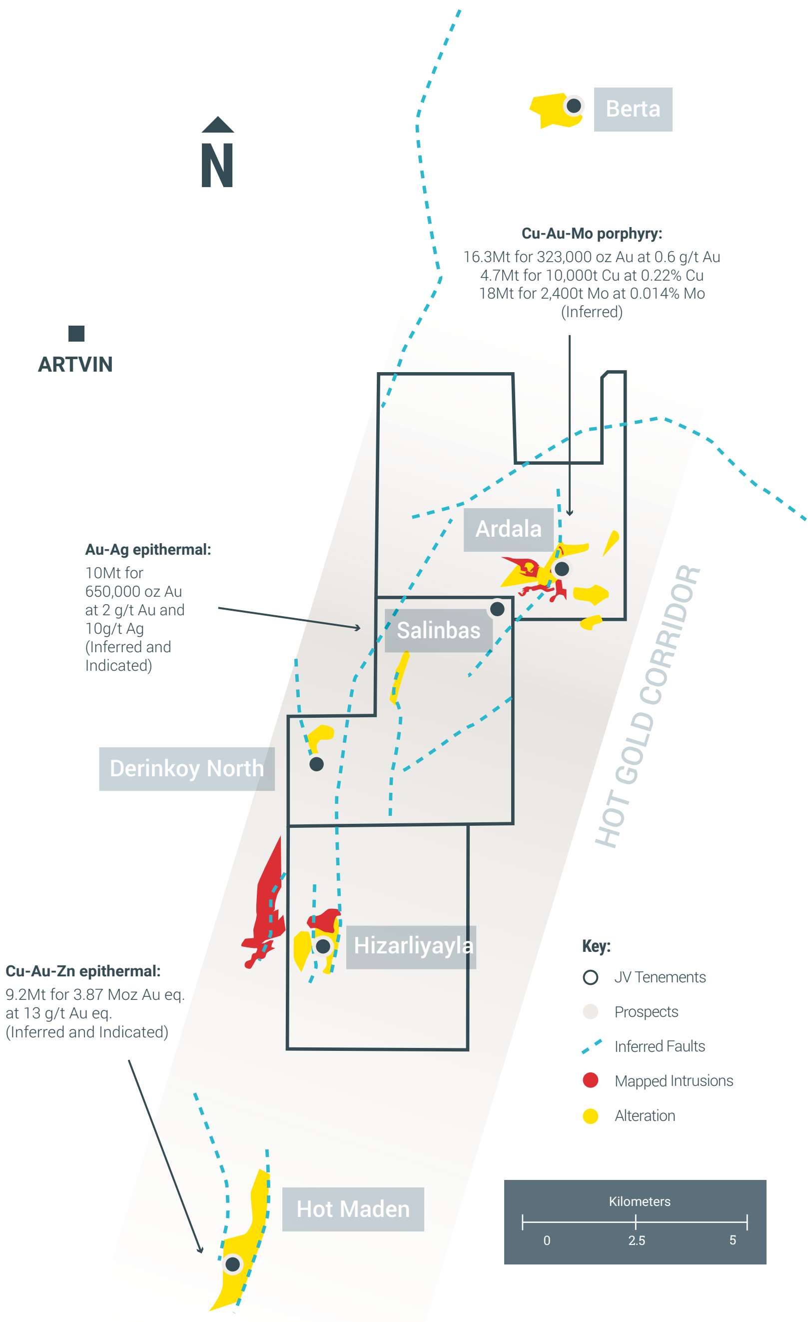
Resource Estimate Table for Salinbaş / Ardala (100% Ariana Owned)

Zone	Tonnes (t)	Grade Au (g/t)	Grade Ag (g/t)	Au (oz)	Ag (oz)
Salinbaş[1]					
Indicated	2,290,000	2.1	11.9	155,500	877,700
Inferred	7,670,000	2.0	9.7	493,300	2,396,400

Zone	Tonnes (t)	Grade (g/t)	Metal [2]	Tonnes Metal (t)	Au (oz)
Ardala					
Inferred	16,270,000	0.6	Au	-	323,000
Inferred	4,660,000	2,175	Cu	10,000	-
Inferred	18,000,000	136	Mo	2,400	-

1. Figures for the Salinbaş Zone are revised according to a Scoping Study announced in Q2 2015.

2. Separate resource domains have been established for the Au, Cu and Mo components of the Ardala porphyry. It is considered reasonable to estimate these domains in this manner because the resource is classified as Inferred in this location and mining parameters have not yet been established. There is a 95% coincidence of of the Au and Cu domains, and a 40-50% coincidence of the Au and Mo domains.



Scoping Study Summary*

Mine Life
10 years

Cash Costs
US$770/oz

Processing
CIL

Production Rate
50,000 oz Au eq. p.a.

JORC Resource
9.96Mt for 650,000 oz Au (Inferred & Indicated)

In-pit Grade
2.0 g/t Au; 10.2 g/t Ag

Net Present Value (8%)
US$108 million

Internal Rate of Return
28%

Payback
3.3 years on US$53.3 million initial capital

Royalty
State Right and 2% NSR to Eldorado Gold

**Pre-tax base case at US$1,250/oz as at April 2015*

Operations Review *continued*

Other Exploration

Part of the Company's long-term strategy is to expand its portfolio through grassroots exploration, project definition and licence acquisition primarily in Turkey and also in other select locations in which we have demonstrated operational capabilities, particularly in the region around Turkey. The focus of these efforts remains on gold and technology-metals. The Company retains a portfolio of substantially de-risked projects and is committed to maintaining a pipeline approach, adding higher-risk projects at the bottom-end at low cost and developing or commercialising lower-risk projects at the top-end.

Examples of exploration projects that are being developed within this pipeline approach, include Kizilçukur and Ivrindi. Although not part of the Red Rabbit Joint Venture, these projects are 100% owned by the Company and are located in the vicinity of the Kiziltepe Mine. They contain resources that have potential to be mined and trucked to the Kiziltepe plant in the future. Further exploration and development work on these projects is being undertaken currently to determine the viability of these projects as satellite operations for the Kiziltepe Mine.

Underpinning our broader exploration targeting strategy in Turkey is the Newmont Ventures Limited ("Newmont") Turkish geoscientific database, which was secured in 2013 for a 1% Net Smelter Return royalty and a Right of First Refusal on projects identified within 5km of any point data contained by the database, excluding Ariana's existing tenements. Ariana is using this database to identify targets for future project acquisitions and possible joint ventures in Turkey. It is through use of this database that the Company expects to build upon its exploration target pipeline in Turkey.

Over the past few years the Company has also been successful with its strategy to identify and commercialise several technology-metals projects in Australia. In 2016, the Company vended two packages of lithium tenements owned by its subsidiary, Asgard Metals Pty. Ltd., to Novo Litio Limited (previously ASX:DKO, now NLI) and to Kingston Resources Limited (ASX:KSN). These investments have since contributed substantially to the balance sheet, yielding A$3.5 million in cash to the Company. Following on from this success, the Company is continuing to review projects in technology-metals, most recently for antimony and copper.

Resource Estimate Table for Kizilçukur and Ivrindi (100% Ariana Owned)

Prospect	Tonnes (t)	Grade Au (g/t)	Grade Ag (g/t)	Au (oz)	Ag (oz)	Au Equiv. (oz)
Kizilçukur						
Indicated	71,300	2.3	80.2	5,300	183,900	8,400
Inferred	236,600	2.4	71.4	15,500	543,200	24,600
Ivrindi						
Inferred	207,000	1.7	n/a	11,000	n/a	11,000
Global Total	**514,900**	**1.9**	**73.4**	**31,800**	**727,100**	**44,000**

Outlook

The past year represents a breakthrough in the history of the Company and we remain extremely encouraged by our projects and the opportunities for further growth that have been identified. Conditions in the gold market have continued to improve and we are now witnessing a sustained period of higher gold prices, the likes of which we have not seen for five years. The commencement of gold production at Kiziltepe could not have been better timed. Meanwhile, gold exploration discoveries globally, always lagging if not counter-cyclical with respect to trends in the gold market, have continued to decline. This is setting up the conditions for a marked squeeze on the supply of physical gold in the future; Ariana is well positioned to take advantage of this development.

In our view, a successful exploration and development company should aim to identify high-quality projects when general interest in them is lowest, then finances and develops them when market conditions improve. Furthermore, the best time to build a mine is when commodity prices are lowest, ideally timing production to commence during periods of returning interest. Ariana has been fortunate to time its development projects perfectly in this regard during the course of the 13 years since its IPO. The Company has also conducted its activities very cost-effectively, demonstrated by its low cost of discovery of US$15 per ounce. This is now being mirrored by our low cost of production of c. US$600 per ounce from our joint venture owned Kiziltepe Mine.

With a full year of gold and silver production now behind us, we are very confident in our ability to deliver success at our other projects in Turkey. We are also taking steps to review high-quality projects in other jurisdictions, albeit largely those within geographic proximity of Turkey, thanks to our proven track record. In addition to this, we are continuing to review opportunities in technology-metals, building upon our financially rewarding and nimbly-executed foray into and then out of the lithium market. We are confident that such opportunistic approaches running in parallel with our existing gold-focused strategy in Turkey, are likely to yield substantial additional benefit to the Company and its shareholders. We are very much looking forward to the next chapter in the development of the Company.

"a successful exploration and development company should aim to identify high-quality projects when general interest in them is lowest, then finances and develops them when market conditions improve. Ariana has been fortunate to time its development projects perfectly in this regard during the course of the 13 years since its IPO."

Key Performance Indicators

The Key Performance Indicators (KPIs) for Ariana are linked to project milestones and the increase in overall enterprise value.

Financial KPIs

Exploration Expenditure

Enhancing intangible exploration assets through targeted expenditure.

Cash Flow Forecasts

Regular cash flow monitoring to ensure exploration targets are met and that working capital is maintained.

Non-Financial KPIs

Operational Success

Increasing JORC compliant resources and progressing Red Rabbit Gold Project through development and into production.

Advance Portfolio

Through acquisition or discovery of new exploration properties utilising on-going exploration to target new ground.

Environmental, Health & Safety

Ensuring that all efforts are made to minimise adverse personal, corporate and environmental outcomes, through best practice training, implementation and monitoring.

Risks & Uncertainties

RISK	DESCRIPTION	MITIGATION
Production risk	Mining activity involves a variety of potential risks to production or interruptions to output. These can include geological, mining, processing, environmental and financial risks.	The Joint Venture company reviews mining progress on a regular basis to determine any potential risk factors that could affect production negatively. The Joint Venture employs experienced management staff.
Exploration and development risk	Inherent risks associated with the failure to discover or develop an economically recoverable ore reserve, to conclude a definitive feasibility study, and to obtain the necessary consents and approvals for the conduct of exploration and mining.	The Board is committed to reviewing progress relating to the development of its various exploration targets and assesses this against planned expenditure and expected outcomes. The Group employs highly trained geologists with extensive knowledge of the style of gold/silver mineralisation located in Turkey.
Partner risk	Any joint venture arrangement contains an element of counterparty risk.	The Company maintains good working relationships with our Joint Venture partners and monitor their financial condition and commitment on a regular basis.
Political / in-country risk	Political instabilities, which could cause the loss of an asset through expropriation, war or unrest.	Turkey benefits from a robust political environment and has established fiscal and mining codes. The Group enjoys a good working relationship with the relevant authorities in Turkey and has a permanent management team in the country to monitor developments.

RISK	DESCRIPTION	MITIGATION
Environmental / safety risk	Major pollution arising from operations and/or loss of life due to systems or equipment failure.	The Group adopts best practice in the industry with on-site, country level and corporate level policies and procedures.
Commodity risk	A potential fall in commodity prices which could lead to it becoming uneconomic for the Group to mine its assets.	The Group's principal interest is gold and silver and the outlook for gold remains broadly positive as a continuing safe haven vehicle for wealth protection. The Group will consider the use of appropriate hedging products to mitigate this risk.
Financing risk	This is the risk of running out of working and investment capital.	The Group relies primarily on the issue of share capital and joint venture agreements, to include bank borrowing where appropriate, to finance its activities. The Group maintains tight financial and budgetary control to keep its operations cost effective. Forward planning helps ensure it is adequately funded to reach its objectives.
Foreign currency risk	The Group's results are sensitive to foreign currency movements and in particular with its exposure to the Turkish Lira, arising from the Group's primary operations being in Turkey.	The Group finances its overseas operations by transferring Pounds Sterling from the UK to meet local operating costs which are generally either denominated in Turkish Lira or US Dollars. The Group maintains the majority of its cash in Pounds Sterling and continues to monitor relevant currency movements and considers action where appropriate.

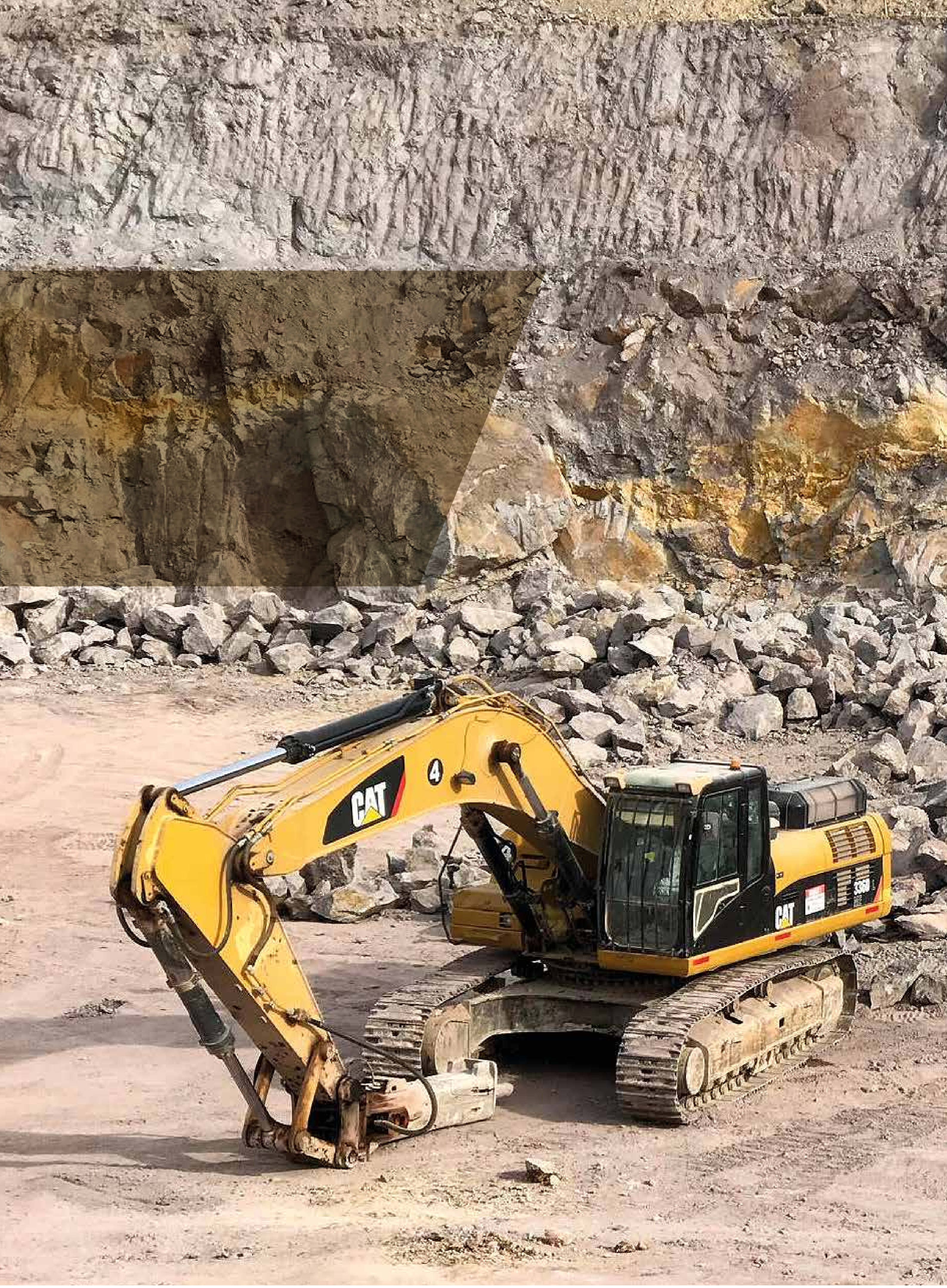
Financial Review

The Company enjoyed a successful year operationally, recording a profit before tax of £0.4 million, as against a profit before tax of £12.1 million (as restated) last year, and there were several components to this swing in financial performance. The principal reason for the reduced profit this year was the combination of one-off factors last year, where we recorded a gain on the acquisition of Greater Pontides Exploration BV which holds our Salinbaş project, a gain on the sale of our remaining shares in Zenit bringing us into our final equilibrium shareholding with our joint venture partners, and gains on disposal of our Australian lithium interests. In addition, administrative costs were nearly £0.4 million higher this year, largely due to foreign exchange losses and increased wage costs. The Company also decided to write down £0.4 million of historical intangible asset expenditure which was no longer considered appropriate to carry forward in our books.

A key development this year was the commencement of commercial production with effect from 1 July 2017 at our Joint Venture company Zenit. The accounting rules on joint ventures require us to record this as an equity investment, which means that we only record in our Income Statement our share of Zenit profits rather than line by line accounting, our share of profits this year amounting to £1.8 million. Further details of Zenit's financial performance are given in note 6 to the accounts, where you will note six months operational activity gave rise to turnover of £8.9 million and a profit before tax of £3.7 million. During the period we estimate the cash cost of our joint venture production was under US$600 per ounce, which is highly creditable in this first review period.

"we are now receiving funds back from Zenit, which is the realisation of a plan set several years ago, to put ourselves in a position where we could become self-financing"

As far as the Statement of Financial Position is concerned, there has been no material change beyond foreign exchange movements in the valuation of our Salinbaş asset recorded at £17.5 million. Our share of the Zenit joint venture is carried in these accounts at our 50% shareholding of that company's net assets, amounting to £2.5 million at the year end (2016: £1.3 million (as restated)). Otherwise of note were our two share placements undertaken during the period, which raised £2.9 million, before associated costs. Decisions around fundraising are taken very seriously, but our primary responsibility was to ensure we had the necessary funds to ensure we could bring the mine into commercial production, given the initial delays due to permitting and weather, as well as carry out the necessary exploration work at Salinbaş. It is pleasing to see that as of February 2018, we are now receiving funds back from Zenit, which is the realisation of a plan set several years ago, to put ourselves in a position where we could become self-financing, and that seems a much closer proposition now.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Corporate Responsibility

Since commencing work on our flagship Red Rabbit project, Ariana has been committed to building strong links with local communities and to establishing relationships of trust with stakeholders across Turkey.

From our inception as a company, we have been committed to socially responsible and environmentally conscious exploration and mining. Whilst work on establishing these vital stakeholder links often occurs in the background, its importance cannot be under-estimated. Without these concerted efforts over many years, we would not be in the strong position of operating a gold mine today. The Company also has in place an Anti-Corruption and Anti-Bribery Policy.

Shareholders

The Board of Directors actively encourages communications with shareholders and seeks to protect shareholders' interests at all times. There are regular opportunities to engage directly with shareholders at the Annual General Meeting and at investor events and shows throughout the year. The Company also updates shareholders via regulatory news, financial reports, director Q&As and social media updates. In 2018 we also engaged Yellow Jersey PR Ltd to work with us in developing investor relations.

Employees

Ariana has always attached great importance to professional development and the creation of employment in the localities where we operate. The Company provides fair remuneration, flexible working arrangements where practical and exposure to wider aspects of the Company's operations. The Company gives full and fair consideration to applications for employment received irrespective of age, gender, colour, ethnicity, disability, nationality, religious beliefs, or sexual orientation. The Board also welcomes interest and suggestions from employees, which can improve business performance.

Ariana has a strong track-record for developing young geologists in the early stages of their careers. We know that investing in today's graduates will lead to tomorrow's exploration leaders. Ariana itself has benefited from students who have gone on to take up leadership roles within the Company. Every year, Ariana has typically invited two British and two Turkish undergraduates to take summer internships with our exploration team in Sındırgı. This has proved to be a highly successful programme and has also reinforced our relationships with universities.

Ariana has also sponsored a PhD thesis on the gold metallogenesis of western Turkey and has supported several MSc students with projects based on our operations in western Turkey. Our ability to attract and retain a talented team has enabled us to explore at half the cost of our industry peer group.

Local Community

Since 2010, a highly experienced member of our joint venture company, Zenit Madencilik, has been committed full time to the development of local stakeholder engagement in the Sindirgi area. His unremitting efforts to build local links and guide environmentally responsible policies, mean that he is now a highly regarded member of the local community. An example of his far-sighted thinking is the installation of numerous bee hives along the perimeters of the Kiziltepe mine site in 2017. Bees are one of the most sensitive indicators of the health in a local ecosystem. The bees at Kiziltepe have thrived and we are pleased that we have been able to utilise the honey on the mine site as well as gift the honey produced to local villages. In another measure of the health of the local environment, chickens are also kept on the mine site and the fresh eggs are provided to the canteen for staff meals.

Working with the local community to promote educational standards has also been a priority for Ariana. We are pleased to report that we provide monthly donations to the Sindirgi Elementary School, as well as providing the school bus system. We also sponsor the Sindirgi High School magazine and the Sindirgi Book Fair. We have also made a donation to support the purchase of firefighting equipment to local villages and the local municipality. Firefighting is an important local issue, as much of the upland area in the vicinity of the mine is covered in protected pine forests.

Ariana also has a strong track record of working with local suppliers and employing local people. Ariana has run many training programmes to focus on the mechanical, physical, technical and safety aspects of its drilling programmes and mine procedures. All visitors to the mine are required to complete a mine safety test before they are permitted to access the mine site. The Joint Venture company, Zenit Madencilik, is also pleased to have been able to employ several local technical personnel including professionally qualified mining engineers from nearby villages and towns.

Three team members are professionally qualified in health and safety aspects of drilling.

Corporate Responsibility *continued*

Suppliers & Contractors

The Company has a prompt payment policy and seeks to ensure that all liabilities are settled within the supplier's terms. Through fair dealings the Company aims to cultivate the goodwill of its contractors, consultants and suppliers.

The Environment and Environmental Standard Compliance

Ariana has established well-defined operating guidelines to ensure that specific environmental standards are met by its exploration and mining teams. Ariana is also a founder member of the Gold Miners' Association of Turkey and a subscriber to E3 Plus environmental excellence in exploration.

We comply with the following environmental standards:

- Environmental Impact Assessment ratified by the Ministry of Environment and Urban Planning for operational licences
- Forestry Permits for areas of drilling or disruptive work within forested regions
- Agricultural permits for areas in which drilling or other disruptive work occurs within cultivated regions
- Sensitivity to forested areas ensuring minimal damage to trees. Where forested areas are cleared, compensation is paid to the Ministry of Environment and Urban Planning to plant new trees elsewhere

Human Rights

Ariana is committed to best-practice in socially and ethically responsible exploration and mining for the benefit of all stakeholders. The activities of the Company are in line with applicable laws on human rights.

Health and Safety

Company activities are carried out in accordance with its Health and Safety Policy, which adheres to all applicable laws. Relevant to their job roles, members of the team have received certification in occupational health and safety, advanced off-road driving, first aid and survival.

The Strategic Report has been approved by the Board and signed on its behalf.

Dr. Kerim Sener
Managing Director
1 June 2018

GOVERNANCE

Corporate Governance

Role of the Board

The Directors are responsible for the Group's system of internal control and for reviewing its effectiveness. The Board leads company strategy and monitors progress to ensure goals and objectives are achieved with minimal financial and business risk.

- Regular meetings: Group strategy, direction and financial performance review;
- Budgetary reports: Expenditure managed by senior management subject to board control through regular reporting;
- Operational reviews: Major business risk identification and financial evaluation.

Internal financial control:

- Preparation and regular review of operating budgets and forecasts;
- Prior approval of all capital expenditure;
- Review and debate of treasury policy;
- Unrestricted access of Non-executive Directors to all members of senior management.

Corporate Governance

Ariana Resources is committed to high standards of corporate governance. The Company complies with guidance set out by the Quoted Companies Alliance which is commensurate with the size and business nature of the Company.

The structure of the Board is appropriate with respect to the Company's current size and stage of development.

Directors

Michael de Villiers

B. Comm. Professional Accountant (SA) MIOD

Executive Chairman & Company Secretary, aged 55

Michael qualified as a Professional Accountant with Ernst & Young in Cape Town. Michael gained his experience working for Anglo American and Gold Fields International as a financial manager at mining and chemicals operations in Namibia, Botswana, Ghana, Bulgaria and the United Kingdom.

Michael is Chairman of the Company's Audit Committee and serves on the Remuneration Committee.

Kerim Sener

BSc (Hons) MSc DIC PhD

Managing Director, aged 42

Kerim graduated from the University of Southampton with a first-class BSc (Hons) degree in Geology in 1997 and from the Royal School of Mines, Imperial College, with an MSc in Mineral Exploration in 1998. After working in gold exploration and mining in Zimbabwe he completed a PhD at the University of Western Australia in 2004. Since then he has been responsible for the discovery of over 3.8 Moz of gold in eastern Europe. He has been a Non-executive Director at one ASX and two TSX(-V) listed gold exploration companies.

Kerim is a Fellow of The Geological Society of London, Member of The Institute of Materials, Minerals and Mining, a member of the Society of Economic Geologists and a member of the Chamber of Geological Engineers in Turkey.

William Payne

BA (Hons) ACA

Non-Executive Director & Chief Financial Officer, aged 53

William studied Accountancy at Exeter University before training and qualifying as a Chartered Accountant with KPMG in London. In 2003 he became a partner in top twenty accountancy practice Wilkins Kennedy. His role ranges from audit and assurance to planning, reporting and compliance. William is also a director of a number of companies, including Sprue Aegis PLC, a company listed on AIM.

William is Chairman of the Company's Remuneration Committee and serves on the Audit Committee.

Chris Sangster

BSc (Hons), ARSM, GDE, FIMMM

Non-Executive Director, aged 59

Chris has a BSc Hons in Mining Engineering from the Royal School of Mines, Imperial College in London and a GDE in Mineral Economics from the University of Witwatersrand. Chris has extensive experience worldwide in gold, diamond and base metal production environments. Since 1999, he has held positions of Vice President Mining Services at KCM PLC and Principal Mining Engineer for Australian Mining Consultants. In 2007, Chris co-founded ASX and AIM listed Scotgold Resources and was its CEO / Managing Director until October 2014. He remains a Non-executive Director and Technical Consultant to Scotgold and is also an Associate Consultant for Bara Consulting Limited.

Chris is a Fellow of the Institute of Materials Minerals and Mining.

Key Staff

Fatma Yildiz Özkan

BSc

General Manager

Fatma graduated in Mining Engineering from Çukurova University in 2007. She spent six years with a number of consulting engineering companies managing mining licences, governmental permits and project management. Fatma is responsible for managing our operations in Turkey in addition to administering all our exploration/operational tenements.

Fatma is a member of the Chamber of Mining Engineers of Turkey and she is based in Ankara.

Selim Senoz

BSc

Geological Database Manager

Selim graduated in 2001 with a BSc in Geological Engineering from Dokuz Eylül University in Izmir. He is responsible for updating our information systems databases, managing our geographic information systems and drilling data in addition to preparing our reports to relevant government departments.

Selim is a member of the Chamber of Geological Engineers of Turkey and he is based in Ankara.

Zack van Coller

BSc (Hons)

Exploration Leader

Zack van Coller graduated from Cardiff University with a BSc (Hons) degree in Exploration and Resource Geology in 2010. He manages Ariana's exploration programmes with a team of geologists and field assistants. Zack has strong ties with a number of UK universities; he is responsible for student placements and also provides industry training to undergraduates.

Zack is a member of The Geological Society of London and the Southampton Mineral and Fossil Society and operates primarily between the UK and Turkey.

Report of the Directors

For the year ended 31 December 2017

The Directors present their report with the audited financial statements of the Company and the Group for the year ended 31 December 2017.

Principal activity

Ariana Resources PLC (the "Company") is a public limited company incorporated and domiciled in Great Britain. The addresses of its registered office and principal place of business are disclosed at the end of this report. The Company's shares are listed on the AIM market of the London Stock Exchange. The principal activities of the Company and its subsidiaries (the "Group") are related to the exploration for and development of gold and other minerals principally in Turkey.

Directors

The Directors during the year under review were:

M J de Villiers
A K Sener
W J B Payne
C J S Sangster

The beneficial interests of the Directors holding office either directly or indirectly (including interests held by spouses, children or associated parties) on 31 December 2017 in the ordinary issued share capital of the company were as follows:

	2017	2016
M J de Villiers	36,680,000	26,050,000
A K Sener	18,104,252	13,076,868
W J B Payne	7,909,314	4,801,622
C J S Sangster	2,648,292	695,652
Total	**65,341,858**	**44,624,142**

Share Options

In December 2017 the Company cancelled the share options issued in March 2011.

	2017	2016
M J de Villiers	-	3,760,334
A K Sener	-	5,994,463
W J B Payne	-	1,500,000
C J S Sangster	-	-
Total	**-**	**11,254,797**

A new share option scheme commenced with effect from 1 January 2018, where 64,000,000 new options were issued to Directors and staff at an exercise price of 1.55 pence, vesting over 3 years as follows:

M J de Villers 17,000,000, A K Sener 19,000,000, W J B Payne 4,000,000 and C J Sangster 4,000,000.

Share capital

Section 561 of the Companies Act 2006 provides that subject to limited exceptions any shares being issued must be issued to all existing shareholders pro-rata to their holding. However, where Directors have a general authority to allot shares they may be given the power by the Articles or by a special resolution to allot shares pursuant to the authority as if the statutory pre-emption rights did not exist.

An ordinary resolution will be proposed at the forthcoming Annual General Meeting for the renewal of the Directors' general authority to issue relevant securities up to an aggregate nominal amount of £500,000.

A special resolution will also be proposed at the forthcoming Annual General Meeting for the renewal of the Directors' authority to allot relevant securities for cash without first offering them to the shareholders pro-rata to their holdings, pursuant to section 570 of the Companies Act 2006 up to an aggregate nominal amount of £250,000.

The authority mentioned above will, if passed, expire at the earlier of the following Annual General Meeting or the date being 15 months from the passing of the resolutions.

A special resolution will also be proposed to allow the Company to purchase its own shares in certain circumstances.

Substantial share interests

The Company had been notified of the following interests in the Company's shares held on 11 May 2018.

Shareholder	Ordinary Shares	% of Issued Share Capital
Hargreaves Lansdown Nominees Limited	169,124,233	15.90
Barclayshare Nominees Limited	140, 375,323	13.25
Interactive Investor Services Nominees Limited	91,907,688	8.67
Mr Michael de Villiers	42,000,000	3.96
Jim Nominees Limited	39,187,541	3.70
HSDL Nominees Limited	35,514,769	3.35
Share Nominees Ltd	31,907,409	3.01
Eldorado Gold Corp.	28,337,000	2.67
Mr Ronald Bruce Rowan	24,400,000	2.30

Strategic Report

The Company has chosen, in accordance with Section 414C of the Companies Act 2006, to set out the following information in the Strategic Report which would otherwise be required to be contained in the Directors' Report:

- Financial risk management objectives;
- Indication of exposure to principal risks;
- Future developments of the business.

Dividends

No dividends will be distributed for the year ended 31 December 2017 (2016: £nil) and the retained profit has been transferred to reserves.

Group's policy on payment of creditors

It is the Group's normal practice to settle the terms of payment when agreeing the transaction, to ensure suppliers are aware of those terms and to abide by them. Trade creditor days based on creditors at 31 December 2017 were 30 days (2016: 30 days).

Political and charitable contributions

No donations for political or charitable purposes have been made by the Group during the year.

Going concern

The Directors confirm that they are satisfied the Group has adequate resources to continue in business for the foreseeable future, having regard to the factors set out in more detail in Note 1 to the accounts.

Post year end events

There are no post year end events.

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. As required by the AIM Rules for companies published by the London Stock Exchange PLC they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements on the same basis.

Report of the Directors *continued*

For the year ended 31 December 2017

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Provision of information to auditor

The Directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors has confirmed that he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that it has been communicated to the auditor.

Corporate governance

The Board of Directors

The Directors are responsible for the Group's system of internal control and for reviewing its effectiveness. The risk management process and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Group's objectives. Any such system of internal control can only provide reasonable but not absolute assurance against material misstatement or loss.

Full meetings are held quarterly to review Group strategy, direction and financial performance. The Executive Directors meet regularly to review operational reports from all of the Group's areas of operations. The process is used to identify major business risks and evaluate their financial implications and ensure an appropriate control environment. Certain control over expenditure is delegated to on site project managers subject to Board control by means of monthly budgetary reports.

Internal financial control procedures include:

- preparation and regular review of operating budgets and forecasts;
- prior approval of all capital expenditure;
- review and debate of treasury policy; and
- unrestricted access of Non-Executive Directors to all members of senior management.

Audit Committee

The Audit Committee comprises Michael de Villiers and William Payne. The Audit Committee may examine any matters relating to the financial affairs of the Group and the Group's audits.

This includes reviews of the annual financial statements and announcements, internal control procedures, accounting procedures, accounting policies, the appointment, independence, objectivity, terms of reference and fees of external auditors and such other related functions as the Board may require.

Remuneration Committee

The committee comprises Michael de Villiers and William Payne. It determines the terms and conditions of the employment and annual remuneration of the Executive Directors. It consults with the Managing Director, takes into consideration external data and comparative third party remuneration and has access to professional advice outside the Company.

The key policy objectives of the Remuneration Committee in respect of the Company's Executive Directors and other senior executives are:

- to ensure that individuals are fairly rewarded for their personal contribution to the Company's overall performance; and
- to act as the independent committee ensuring that due regard is given to the interest of the Company's shareholders and to the financial and commercial health of the Company.

Remuneration of the Executive Directors comprises basic salary, discretionary bonuses, participation in the Company's share option scheme and other benefits. The Company's remuneration policy with regard to options is to maintain an amount of not more than 10% of the issued share capital in options for the Company's management and employees.

Total Directors' emoluments are disclosed in Note 3 to the financial statements and the Directors' options are disclosed above.

Auditor

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

Michael de Villiers
Company Secretary
1 June 2018


SEKİZLİ

Independent Auditor's Report

To the members of Ariana Resources PLC

1 Our opinion is unmodified

We have audited the financial statements of Ariana Resources plc ("the Company") for the year ended 31 December 2017 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash flows, Company Balance Sheet, Company Statement of Changes in Equity, and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

Independent Auditor's Report *continued*

To the members of Ariana Resources PLC

	The risk	Our response
Valuation of Intangible exploration assets (£17.5 million; 2016: £17.9 million) Refer to page 58 (accounting policy) and page 66 (financial disclosures).	Forecast based estimate The carrying amount of the Group's intangible exploration assets represents 73% (2016: 79%) of the Group's total assets. The uncertain nature of recovering exploration assets requires judgment in establishing whether there are commercial reserves in the individual projects, along with appropriate assessment of available data. Therefore we consider it necessary to assess whether the facts and circumstances exist to suggest that the carrying amount of this asset may exceed its recoverable amount. Determining whether impairment indicators exist involves significant judgement by management, including by reference to specific impairment indicators prescribed in IFRS 6.	Our procedures included: **Our sector experience** We assessed and challenged the directors' assessment of the carrying value of capitalised intangible exploration assets, including the existence of any triggers of impairment, based on our knowledge of the Group and the market. **Our sector experience** Independent of the directors' assessment, we have performed an assessment for the presence of indicators of impairment on the Group's Intangible exploration assets taking into account requirements of IFRS 6 Exploration for and Evaluation of Mineral Resources. This assessment included: - Obtaining evidence that the group has valid rights to explore all projects that represent the Intangible exploration assets; - Inquired with directors on current and future exploration programmes in respect of all projects that represent the Intangible exploration asset, including ascertaining whether there were any plans to abandon licenced areas; - We considered both internal and external reporting (including historical and forecast commodity prices) on all project areas to determine if there was sufficient data that indicated the carrying amount of the Intangible exploration asset is unlikely to be recovered in full from successful development or by sale. **Assessing transparency** We assessed the appropriateness of the Group's disclosure in respect of the carrying value of Intangible exploration assets on Note 1 (accounting estimates and judgements) and Note 11.
Recoverability of parent's debt due from group entities (£10.4 million; 2016: £8.5 million) Refer to page 59 (accounting policy) and page 70 (financial disclosures).	The carrying amount of the intra-group debtor balance represents 97% (2016: 96%) of the parent company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	Our procedures included: **Tests of detail** Assessed a sample of the highest value group debtors representing 99.9% (2016: 99.8%) of the total group debtors balance to identify, with reference to the relevant debtors' draft balance sheets and those of their subsidiaries, whether they have a positive net asset value and therefore coverage of the debt owed.

Independent Auditor’s Report *continued*

To the members of Ariana Resources PLC

3 Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £874k (2016: £800k), determined with reference to a benchmark of net asset (of which it represents 4.4% (2016: 4.5%). We consider net assets to be the most appropriate benchmark given the nature of the group’s principle activities. Materiality for the parent company financial statements as a whole was set at £457k (2016: £353k), determined with reference to a benchmark of net assets, of which it represents 4.2% (2016: 4.0%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £43k (2016: £40k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 8 (2016: 8) reporting components, we subjected 5 (2016: 5) to full scope audits for group purposes. These accounted for 96% (2016: 94%) of the group’s net assets, 97% (2016: 94%) of the group’s total assets and 90% (2016: 90%) of the group’s profit/(loss) before taxation.

The work on 2 of the 8 components (2016: 2 of the 8 components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back.

The Group team approved the following component materialities, having regard to the mix of size and risk profile of the Group across the components:

Galata Madencilik San. ve Tic. Ltd.	£437k (2016: £120k)
Zenit Madencilik San. ve Tic. A.S.	£437k (2016: £120k)

The Group team held telephone conference meetings and were also held with these component auditors. At these meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

4 We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5 We have nothing to report on the other information in the Annual Report and Accounts

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors’ report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors’ report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent Auditor's Report *continued*

To the members of Ariana Resources PLC

6 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on pages 41 and 42, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Ashley Rees (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

1 June 2018

FINANCIAL REPORT

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	Note	2017 £'000	Restated 2016 £'000
Administrative costs		(1,311)	(930)
General exploration expenditure		(40)	(118)
Exploration costs – written off		(352)	-
Operating loss	**5**	**(1,703)**	**(1,048)**
Other income	4a	-	1,215
Gain on acquisition of remaining interest in Joint Venture	4b	-	12,435
Profit on disposal of available for sale investments		117	810
Share of profit/(loss) of Joint Venture	6	1,834	(2,125)
Share of profit on dilution of interest in Joint Venture	6	-	677
Investment income		176	103
Profit on ordinary activities before tax		**424**	**12,067**
Taxation	**8**	**-**	**(486)**
Profit for the year		**424**	**11,581**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss when specific conditions are met:			
Exchange differences on translating foreign operations		(1,363)	(136)
Fair value adjustment on available for sale investments	13	(53)	23
Other comprehensive (loss) for the year net of tax		**(1,416)**	**(113)**
Total comprehensive (loss)/income for the year		**(992)**	**11,468**
Profit attributable to: Owners of the parent Company		**424**	**11,581**
Total comprehensive (loss)/income attributable to: Owners of the parent Company		**(992)**	**11,468**
Total comprehensive (loss)/income for the year		**(992)**	**11,468**
Profit per share (pence)			
Basic and diluted	10	0.04	1.41

Continuing operations

None of the Group's activities discontinued during the current or previous year.

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

For the year ended 31 December 2017

	Note	2017 £'000	Restated 2016 £'000
Assets			
Non-current assets			
Trade and other receivables	15	93	120
Intangible exploration assets	11	17,527	17,965
Land, property, plant and equipment	12	289	319
Investment in Joint Venture	6	2,467	1,251
Total non-current assets		**20,376**	**19,655**
Current assets			
Trade and other receivables	16	2,547	1,689
Available for sale investments	13	218	866
Cash and cash equivalents		773	440
Total current assets		**3,538**	**2,995**
Total assets		**23,914**	**22,650**
Equity			
Called up share capital		6,054	5,836
Share premium	18	11,821	9,241
Other reserves		720	720
Share based payments		93	571
Translation reserve		(2,034)	(671)
Retained earnings		3,071	2,222
Total equity attributable to equity holders of the parent		**19,725**	**17,919**
Non-controlling interest		-	-
Total equity		**19,725**	**17,919**
Liabilities			
Non-current liabilities			
Deferred tax liabilities	19	2,273	2,273
Other financial liabilities	20	1,651	1,651
Total non-current liabilities		**3,924**	**3,924**
Current liabilities			
Trade and other payables	17	265	807
Total current liabilities		**265**	**807**
Total equity and liabilities		**23,914**	**22,650**

The financial statements were approved by the Board of Directors and authorised for issue on 1June 2018. They were signed on its behalf by:

M J de Villiers
Chairman

A.K.Sener
Managing Director

Company Statement of Financial Position

For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Assets			
Non-current assets			
Investments in group undertakings	14	274	274
Total non-current assets		**274**	**274**
Current assets			
Trade and other receivables	16	10,441	8,527
Available for sale investments	13	63	46
Cash and cash equivalents		-	-
Total current assets		10,504	8,573
Total assets		**10,778**	**8,847**
Equity			
Called up share capital		6,054	5,836
Share premium	18	11,821	9,241
Share based payments reserve		93	571
Retained earnings		(7,196)	(6,815)
Total equity		**10,772**	**8,833**
Liabilities			
Current liabilities			
Trade and other payables	17	6	14
Total current liabilities		6	14
Total equity and liabilities		**10,778**	**8,847**
Company's loss for the financial year		**876**	**614**

The financial statements were approved by the Board of Directors and authorised for issue on 1 June 2018. They were signed on its behalf by:

M J de Villiers
Chairman

A.K.Sener
Managing Director

Registered number : 05403426
The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital £'000	Share premium £'000	Other reserves £'000	Share based payments reserve £'000	Translation reserve £'000	Retained earnings £'000	Total attributable to equity holders of parent £'000	Non-controlling Interest £'000	Total £'000
Changes in equity to 31 December 2016									
Balance at 1 January 2016	**5,797**	**8,764**	**720**	**578**	**(535)**	**(9,274)**	**6,050**	**3**	**6,053**
Profit for the year (restated)	-	-	-	-	-	11,581	11,581	-	11,581
Other comprehensive income	-	-	-	-	(136)	23	(113)	-	(113)
Total comprehensive income	**-**	**-**	**-**	**-**	**(136)**	**11,604**	**11,468**	**-**	**11,468**
Issue of share capital	39	524	-	-	-	-	563	-	563
Share issue costs	-	(47)	-	-	-	-	(47)	-	(47)
Cancellation of share options	-	-	-	(7)	-	7	-	-	-
Non-controlling Interest –									
share of net assets in subsidiary	-	-	-	-	-	(115)	(115)	(3)	(118)
Transactions with owners	**39**	**477**	**-**	**(7)**	**-**	**(108)**	**401**	**(3)**	**398**
Balance at 31 December 2016 (restated)	**5,836**	**9,241**	**720**	**571**	**(671)**	**2,222**	**17,919**	**-**	**17,919**
Changes in equity to 31 December 2017									
Profit for the year	-	-	-	-	-	424	424	-	424
Other comprehensive income	-	-	-	-	(1,363)	(53)	(1,416)	-	(1,416)
Total comprehensive income	**-**	**-**	**-**	**-**	**(1,363)**	**371**	**(992)**	**-**	**(992)**
Issue of share capital	218	2,782	-	-	-	-	3,000	-	3,000
Share issue costs	-	(202)	-	-	-	-	(202)	-	(202)
Cancellation of share options	-	-	-	(478)	-	478	-	-	-
Transactions with owners	**218**	**2,580**	**-**	**(478)**	**-**	**478**	**2,798**	**-**	**2,798**
Balance at 31 December 2017	**6,054**	**11,821**	**720**	**93**	**(2,034)**	**3,071**	**19,725**	**-**	**19,725**

The accompanying notes form part of these financial statements.

Company Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital £'000	Share premium £'000	Share based payments reserve £'000	Retained earnings £'000	Total £'000
Changes in equity to 31 December 2016					
Balance at 1 January 2016	**5,797**	**8,764**	**578**	**(6,232)**	**8,907**
Loss for the year	-	-	-	(614)	(614)
Other comprehensive income	-	-	-	24	24
Total comprehensive income	**-**	**-**	**-**	**(590)**	**(590)**
Issue of share capital	39	524	-	-	563
Share issue costs	-	(47)	-	-	(47)
Cancellation of share options	-	-	(7)	7	-
Transactions with owners	39	477	(7)	7	516
Balance at 31 December 2016	5,836	9,241	571	(6,815)	8,833
Changes in equity to 31 December 2017					
Loss for the year	-	-	-	(876)	(876)
Other comprehensive income	-	-	-	17	17
Total comprehensive income	**-**	**-**	**-**	**(859)**	**(859)**
Issue of share capital	218	2,782	-	-	3,000
Share issue costs	-	(202)	-	-	(202)
Cancellation of share options	**-**	**-**	**(478)**	**478**	**-**
Transactions with owners	**218**	**2,580**	**(478)**	**478**	**2,798**
Balance at 31 December 2017	**6,054**	**11,821**	**93**	**(7,196)**	**10,772**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 £'000	Restated 2016 £'000
Cash flows from operating activities		
Profit before tax	424	12,067
Adjustments for:		
Profit on disposal of available for sale investments	(117)	(810)
Other income – non cash consideration received in shares	-	(1,148)
Depreciation of non-current assets	1	1
Directors and staff remuneration paid in shares	191	-
Write down of intangible exploration assets	352	-
Disposal of intangible exploration assets – Australian tenements and licences	-	51
Gain on acquisition of remaining interest in Joint Venture (excluding cash acquired)	-	(12,386)
Fair value adjustments	53	(23)
Share of (profit)/loss in Joint Venture	(1,834)	2,125
Share of (profit) on dilution of interest in Joint Venture	-	(677)
Investment income	(176)	(103)
Movement in working capital	(1,106)	(903)
(Increase) in trade and other receivables	(950)	(660)
(Decrease)/increase in trade and other payables	(112)	237
Foreign exchange differences on retranslation of assets and liabilities	(170)	46
Cash outflow from operating activities	(2,338)	(1,280)
Taxation paid	(403)	(77)
Net cash used in operating activities	(2,741)	(1,357)
Cash flows from investing activities		
Purchase of land, property, plant and equipment	(20)	(19)
Payments for intangible assets	(390)	(149)
Proceeds from disposal of available for sale investments	700	1,103
Investment income	176	103
Net cash used in investing activities	466	1,038
Cash flows from financing activities		
Proceeds from issue of share capital.	2,608	440
Net cash proceeds from financing activities	**2,608**	**440**
Net increase in cash and cash equivalents	**333**	**121**
Cash and cash equivalents at beginning of year	440	319
Cash and cash equivalents at end of year	**773**	**440**

In the current year the proceeds from disposal of available for sale investments has been classified as cash flows from investing activities. In the prior year this was reported as cash flows from financing activities rather than investing activities, and comparatives have been reclassified for consistency.

Company statement of cash flows
All bank transactions are undertaken by Ariana Exploration & Development Limited on behalf of Ariana Resources PLC and recharged accordingly. As such the Company had no cash transactions directly.

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

1. General information

Ariana Resources PLC (the "Company") is a public limited company incorporated and domiciled in Great Britain. The Company's shares are listed on the Alternative Investment Market of the London Stock Exchange. The principal activities of the Company and its subsidiaries (together the "Group") are related to the exploration for and development of gold and technology-metals, principally in Turkey.

The Company's registered office address is Bridge House, London Bridge, London, SE1 9QR, United Kingdom.

The consolidated financial statements are presented in Pounds Sterling (£), which is the parent company's functional and presentation currency, and all values are rounded to the nearest thousand except where otherwise indicated.

Basis of preparation

The Group consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, effective for the Group's reporting for the year ended 31 December 2017.

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with IFRS. These financial statements have been prepared under the historical cost convention (except for available for sale financial assets) and the accounting policies have been applied consistently throughout the Group.

Restatement

During the period it was identified that during the year ended 31 December 2016 the exchange loss recognised on the revaluation of US$ borrowings held by the equity accounted joint venture, Zenit, was incorrectly capitalised as part of its assets in construction. However, as it is a monetary liability as defined under IAS 21 The Effects of Changes in Foreign Exchange Rates, it was appropriate for the exchange loss to be recognised as a finance expense in the income statement of the joint venture with a consequential effect on the Group's share of profit/(loss) in the equity accounted investment in the joint venture. As at 31 December 2016 the Investment in Joint Venture and the Group's net assets was overstated by £2,276,000, which has resulted in a restated Share of loss of Joint Venture of £2,125,000 (previously reported as a share of profit of £20,000) with a restated exchange loss on translating foreign operations within other comprehensive income of £136,000 (previously reported as an exchange loss of £5,000). The consolidated profit for the year has reduced to £11,581,000 from £13,726,000. The adjustment has no impact on the 1 January 2016 opening balance sheet.

Going concern

These financial statements have been prepared on the going concern basis.

The Directors are mindful that there is an ongoing need to monitor overheads and costs associated with delivering the exploration programme and to raise additional working capital to support the Group's specific activities on occasion. The Group has no bank facilities and has been meeting its working capital requirements from cash resources. At the year end the Group had cash and cash equivalents amounting to £773,000 (2016: £440,000), together with available for sale investments with a market value of £218,000 (2016: £866,000).

The Directors have prepared cash flow forecasts for the Group for the period to 30 June 2019 based on their assessment of the prospects of the Group's operations. The cash flow forecasts include the normal operating costs for the Group over the period together with the discretionary and non-discretionary exploration and development expenditure. The forecasts indicate that on the basis of existing cash and other resources, and forecast future repayment of loans made to Zenit, the Group may require additional funds in the foreseeable future. In the event that additional funding is not obtained as needed, the Group has flexibility to reduce its operating expenditure and discretionary exploration expenditure, along with the ability to liquidate the available for sale investments in order to meet its financial obligations as they fall due.

The Directors are obliged to consider a variety of options as regards to the financing of the Group going forward, and this may include an equity raise via an open-offer if thought appropriate. Despite challenging capital markets for junior exploration and mining companies, the Company and Group have been successful historically in raising equity finance and in light of this, the directors have a reasonable expectation of securing sufficient funding to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the consolidated financial statements.

In preparing these financial statements the Directors have given consideration to the above matters and on this basis they believe that it remains appropriate to prepare the financial statements on a going concern basis.

New Accounting Standards and Interpretations

The Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") that are relevant to its operations and effective for accounting periods beginning 1 January 2017. An amendment to IAS 7 "Statement of Cash Flows: Disclosure Initiative", which is mandatory for 2017, requires entities to provide disclosures about changes in liabilities arising from financing activities, including changes from financing cash flows and non-cash changes (such as foreign exchange gains or losses). This amendment has been endorsed by the EU. The adoption of this amendment and other new and revised Standards and Interpretations had no material effect on the profit or loss or financial position of the Group.

The Group has not adopted any Standards or Interpretations in advance of the required implementation dates. IFRS 15 'Revenue from Contracts with Customers' was issued by the IASB in May 2014. It is effective for accounting periods beginning on or after 1 January 2018. The new standard will replace existing accounting standards, and provides enhanced detail on the principle of recognising revenue to reflect the transfer of goods and services to customers at a value which the company expects to be entitled to receive. The standard also updates revenue disclosure requirements. The standard was endorsed by the EU on 22 September 2017. While the Group does not generate revenue, Zenit Madencilik San ve Tic. A.S. (equity accounted joint venture) does and the Directors are continuing to assess the impact of IFRS 15 on the results of the Group. Whilst management do not envisage a material impact, the impact of adopting this standard cannot be reliably estimated until the transition review is complete.

IFRS 9 was published in July 2014 and will be effective for the Group from 1 January 2018. The standard was endorsed by the EU on 22 November 2017. It is applicable to financial assets and financial liabilities, and covers the classification, measurement, impairment and de-recognition of financial assets and financial liabilities together with a new hedge accounting model. IFRS 9 also introduces the expected credit loss model for impairment of financial assets. Application of the IFRS 9 impairment model is expected to have minimal impact given the Group's credit risk management policies. The Directors are continuing to assess the impact on the results of the Group and will complete the assessment during H1 2018.

IFRS 16 'Leases' – IFRS 16 'Leases' was issued by the IASB in January 2017 and is effective for accounting periods beginning on or after 1 January 2019. The new standard will replace IAS 17 'Leases' and will eliminate the classification of leases as either operating leases or finance leases and, instead, introduce a single lessee accounting model. The standard, which has been endorsed by the EU, provides a single lessee accounting model, specifying how leases are recognised, measured, presented and disclosed. The Directors are currently evaluating the financial and operational impact of this standard including the application to service contracts at the mine containing leases. Due to the limited number of leases in existence the Directors do not consider the impact of IFRS 16 will have a material effect on the Group's affairs.

The Directors do not anticipate that the adoption of the other standards and interpretations not listed above will have a material impact on the accounts. Certain of these standards and interpretations will, when adopted, require addition to or amendment of disclosures in the accounts.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Ariana Resources PLC and its subsidiaries for the year ended 31 December 2017.

Subsidiaries are all entities over which the Group has power to direct relevant activities and an exposure to variable returns. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The cost of an acquisition is measured at fair value of the assets and equity instruments acquired, and the liabilities incurred or assumed at the date of exchange.

The acquisition of subsidiaries is accounted for using the purchase method. The cost of acquisition is measured at the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued.

The acquirer's identifiable assets, liabilities and contingent liabilities, that meet the conditions for recognition under IFRS3 are recognised at their fair values at the acquisition date. Where the Group acquires a subsidiary for less than the fair value of its assets and liabilities, this results in negative goodwill or gain on acquisition which is recognised in profit and loss.

If a business combination is achieved in stages, the acquisition date carrying value of the group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurements are recognised in the income statement. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group. All significant intercompany transactions and balance between group entities are eliminated on consolidation.

The Group has applied IFRS 11 to all joint arrangements as of 1 January 2015. The Group identifies joint arrangements as those arrangements in which two or more parties have joint control, where joint control is evidenced by the contractually agreed sharing of control of an arrangement, which exists where the decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

Joint operations are identified as those agreements whereby the parties have rights to the assets and obligations for liabilities relating to the arrangement. Joint operations are accounted for by recognising the operator's relevant share of assets, liabilities, revenues and expenses. The Group currently has no joint operations in existence.

Joint ventures are identified as those agreements whereby the parties have rights to the net assets of the arrangement and are accounted for using equity accounting in accordance with IAS 28. Interest in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the Joint Venture.
An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The results and assets and liabilities of our investments in our associates are incorporated in these financial statements using the equity method of accounting except when classified as held for sale. Investments in associates are carried in the Group statement of financial position at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associates, less any impairment in the value of individual investments. Losses of the associates in excess of the Group's interest in those associates are not recognised.

In the Company accounts, investments in subsidiary undertakings are held at cost.

Income and expense recognition

The Group's other income otherwise represents consideration received on the disposal of licences, consultancy fees and interest receivable from bank deposits. Interest income is accrued on a time basis, by reference to the principal outstanding and the effective rate of interest applicable. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Operating expenses are recognised in the statement of comprehensive income upon utilisation of the service or at the date of their origin and are reported on an accruals basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Pounds Sterling, which is the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the comprehensive income statement.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transaction); and
- all resulting exchange differences are recognised as a separate component of equity. On consolidation, exchange differences arising from the translation of monetary items receivable from foreign subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the statement of comprehensive income as part of the gain or loss on sale.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Land	–	not depreciated
Computer equipment	–	between 25% & 33%
Drilling equipment	–	between 10% & 20%
Fixtures and fittings	–	between 5% & 33%
Motor vehicles	–	between 20% & 25%

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

Depreciation charged on exploration and evaluation assets is capitalised within intangible exploration assets.

Intangible exploration assets

Intangible assets represent exploration and evaluation assets (IFRS 6 assets), being the cost of acquisition by the Group of rights, licences and know how. Such expenditure requires the immediate write-off of exploration and development expenditure that the Directors do not consider to be supported by the existence of commercial reserves.

All costs associated with mineral exploration and investments, are capitalised on a project-by-project basis, pending determination of the feasibility of the project. Costs incurred include appropriate technical and administrative expenses but not general overheads and these assets are not amortised until technical feasibility and commercial viability is established. If an exploration project is successful, the related expenditures will be transferred to mining assets and amortised over the estimated life of the commercial ore reserves on a unit of production basis. Where a licence is relinquished or a project abandoned, the related costs are written off.

The recoverability of all exploration and development costs is dependent upon the discovery of economically recoverable reserves, the ability of the Group to obtain necessary financing to complete the development of reserves and future profitable production or proceeds from the disposition thereof.

Exploration and evaluation assets shall no longer be classified as such when the technical feasibility and commercial viability of extracting mineral resources are demonstrable. When relevant, such assets shall be assessed for impairment, and any impairment loss recognised, before reclassification to mine development.

Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets (except for intangible exploration assets) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Available for sale financial assets

Available for sale financial assets include non-derivative financial assets that are either designated as such or do not qualify for inclusion in any of the other categories of financial assets. Shares in unlisted companies are recorded at cost. Any other financial assets within this category are measured subsequently at fair value, with changes in value recognised in equity, through other comprehensive income.

Gains and losses arising from changes to fair value from investments classified as available for sale are recognised in the consolidated statement of comprehensive income when they are sold or when the fair value of the investment improves or is impaired. In the case of impairment of available for sale assets, any loss previously recognised in equity is transferred to the consolidated statement of comprehensive income. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income. Impairment losses recognised previously on debt securities are reversed through the consolidated statement of comprehensive income when the increase can be related objectively to an event occurring after the impairment loss was recognised in the consolidated statement of comprehensive income.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial asset only when the contractual rights to cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for the amount it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or expired.

Financial Assets:

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost less any provision for impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and on-demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash with three months or less remaining to maturity and are subject to an insignificant risk of changes in value.

Impairment of financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Financial liabilities and equity instruments:

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

The costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that would otherwise have been avoided.

Trade and other payables

Trade and other payables are initially measured at their fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Share-based payments

For such grants of share options, the fair value as at the date of grant is calculated using the Black-Scholes option pricing 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 are likely to vest, except where forfeiture is only due to market-based conditions not achieving the threshold for vesting.

Where shares are issued in settlement of goods or services supplied, the relevant expense is recorded in the consolidated statement of comprehensive income, with the related share issue recorded within share capital and share premium.

Shareholder warrants

The shareholder warrants entitle shareholders to a number of common shares based upon the number of shares they subscribed for at the date of issue of the warrant instrument. The warrants relate to a transaction with the equity holders as opposed to a transaction in exchange for any goods or services. The equity component of the instrument is not considered material and there is no liability component arising as a result of these warrants. Upon exercise of the warrant, the proceeds received, net of attributable transaction costs, are credited to share capital and where appropriate share premium.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

Taxation

Current income tax assets and liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting year, that are unpaid at 31 December 2017. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted as at 31 December 2017. Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the consolidated statement of comprehensive income, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited to equity. The deferred tax asset arising from trading losses carried forward as referred to in Note 8 has not been recognised. The deferred tax asset will be recognised when it is more likely than not that it will be recoverable.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors who have been identified as responsible for allocating resources and assessing performance of the operating segments, and who act as the Chief Operating Decision Maker.

Accounting judgements:

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Fair value of acquisition

The "acquisition method" of accounting for subsidiaries acquired generally requires assets and liabilities to be measured at their fair values at the acquisition date. Significant judgement and estimates are required in calculating the fair value estimates of net identifiable net assets on acquisition.

Accounting for Joint Venture

Management have reviewed the criteria of IFRS 11 and made a judgement that despite its 50% shareholding, Zenit is a Joint Venture rather than a subsidiary due to the contractual agreement to share control of that company.

Intangible exploration assets

The Group determines that exploration costs are capitalised at the point the Group has a valid exploration licence. Determining whether intangible exploration assets are impaired requires an assessment of whether there are any indicators of impairment, including by reference to specific impairment indicators prescribed in IFRS 6. The recovery of the cost of the Group's Intangible exploration assets an assessment of indicators of impairment is reviewed on a project by project basis in the light of future production opportunities based upon ongoing geological studies.

Impairment of assets

The Group assesses impairment at each reporting date on a project by project basis by evaluating conditions specific to the Group that may indicate an impairment of assets. Where indicators of impairment exist, the recoverable amount of the asset is determined based on value in use or fair value less cost to sell, both of which require the Group to make estimates.

Accounting Estimates

Impairment of assets

Where indicators of impairment exist, the recoverable amount of the asset is determined based on value in use or fair value less cost to sell, both of which require the Group to make estimates.

2. Staff costs

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Wages and salaries	551	318	529	278
Social security costs	33	15	28	10
Pension contributions	16	8	14	8
	600	341	571	296

Total staff costs, including those capitalised within intangible assets, amounts to £801,000 (2016: £468,000). The average monthly number of employees (including Executive Directors) during the year was as follows:

	2017 Number	2016 Number
Exploration activities	10	13
Administration	5	4
	15	17

3. Directors' emoluments

	2017 £'000	2016 £'000
Basic salary and fees	382	278
Bonus shares	101	-
Pension contributions	14	8
	497	286

Key management personnel consist of only the Directors. Details of share options and interests in the Company's shares of each Director are shown in the Directors' Report on page 40.

	Year	Salary & fees £'000	Bonus shares	Pension £'000	Total £'000
Michael de Villiers	2017	135	34	-	169
	2016	100		-	100
Kerim Sener	2017	168	47	14	229
	2016	129		8	137
William Payne	2017	41	10	-	51
	2016	36		-	36
Christopher Sangster	2017	38	10	-	48
	2016	12		-	12

William Payne's services are provided by a firm of Chartered Accountants, further details of which are set out in Note 24.

4a. Other income

	2017 £'000	2016 £'000
Consideration in cash and shares for disposal of Australian tenements and licences	-	1,148
Consultancy fees	-	67
	-	1,215

4b. Other gains

	2017 £'000	2016 £'000
Gain on interest previously held in associate	-	4,008
Gain from bargain purchase	-	8,427
	-	12,435

The Directors consider a bargain purchase arose on the acquisition of the remaining shares in GPE on the basis that their assessment of the Group's ability to realise value from the Salinbaş project differed from that of Eldorado, particularly in the light of their withdrawal from this type of project in Turkey.

The gain arose on the acquisition of full control due to the fair value of the identifiable net assets attributable to the owners of the Group being considered to be greater than the consideration payable, based on an external mine scoping study valuation commissioned by the Directors for the purposes of the accounts.

5. Operating loss

The operating loss is stated after charging/(crediting):

	2017 £'000	2016 £'000
Depreciation – owned assets	1	1
Operating lease – office rental	4	40
Write down of Intangible exploration assets	352	-
Net foreign exchange losses/(gains)	147	(13)
Fees payable to the Company's auditor for the audit of the Company's annual accounts	55	40
Fees payable to the Company's auditor for other services:		
– The audit of the Company's subsidiaries	15	15

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6. Share of profit/(loss) of interest in Joint Venture

In July 2010 the Group entered into an agreement with Proccea Construction Co. ("Proccea") such that Galata Madencilik San. ve Tic. Ltd. ("Galata") would transfer its principal assets at Kiziltepe and Tavşan, collectively known as the "Red Rabbit Gold Project" into a new wholly owned subsidiary, Zenit Madencilik San. ve Tic. A.S. ("Zenit"). Proccea earned their 50% share in Zenit by investing US$8 million in the capital of Zenit, US$1.4 million of such funds having been spent on a Feasibility Study and an Environmental Impact Assessment ("EIA"), with the balance on initial mine construction, once the Feasibility Study and EIA were completed satisfactorily. Ultimately profits from Zenit will be shared in the ratio of 51% the Group and 49% to Proccea, but key decisions require approval from both the Group and Proccea.

Zenit entered production during the period, commencing from March 2017, with commercial production declared from 1 July 2017. Operational revenues and costs arising from pre-commercial production have been capitalised. While total revenue for the year exceeded US$14 million in gold and silver sales, only part of this revenue relates to the period following the declaration of commercial production, and this is reflected in the financial information of the Joint Venture presented below.

The liability of the Joint Venture includes current and non-current portions of a bank loan repayable to Turkiye Finans Katilim Bankasi A.S. Management does not foresee any significant restrictions on the ability of the Joint Venture to repay this loan.

The Group accounts for its Joint Venture with Proccea in Zenit using the equity method in accordance with IAS 28 (revised). At 31 December 2017 the Group has a 50% (2016: 50%) interest in Zenit.

Financial information of the Joint Venture, based on its translated financial statements, and reconciliations with the carrying amount of the investment in the consolidated financial statements are set out below:

Statement of Comprehensive Income	2017 £'000	Restated 2016 £'000
Revenue	8,854	-
Cost of sales	(4,808)	-
Gross Profit	**4,046**	**-**
Administrative expenses	(423)	(83)
Operating profit/(loss)	**3,623**	**(83)**
Finance expenses	(2,646)	(4,587)
Finance income	2,690	503
Profit/(loss) on ordinary activities before tax	**3,667**	**(4,167)**
Taxation	-	(82)
Profit/(loss) for the year	**3,667**	**(4,249)**
Proportion of the Group's ownership	50%	50%
Group's share of profit/(loss) for the year	**1,834**	**(2,125)**

Statement of financial position	2017 £'000	Restated 2016 £'000
Assets		
Non-current assets		
Other receivables	-	68
Intangible exploration assets	94	6,712
Kiziltepe Gold Mine property, plant and equipment	31,085	-
Assets in construction	-	14,922
Advances to contractors	915	11,096
Total non-current assets	32,094	32,798
Current assets		
Cash and cash equivalents	505	116
Trade and other receivable	127	85
Inventories	941	34
Other receivables, VAT and prepayments	936	1,002
Total current assets	**2,509**	**1,237**
Total assets	**34,603**	**34,035**
Liabilities		
Non-current liabilities		
Borrowings	15,977	20,364
Asset retirement obligation	1,088	1,088
Total non-current liabilities	17,065	21,452
Current liabilities		
Borrowings	6,615	6,665
Trade payable	2,484	453
Other payable (including shareholder loans)	3,504	2,886
Current income tax	-	76
Total current liabilities	**12,603**	**10,080**
Total liabilities	**29,668**	**31,532**
Equity	**4,935**	**2,503**
Proportion of the Group's ownership	50%	50%
Carrying amount of investment in Joint Venture	**2,467**	**1,251**
Movement in Equity – our share		
Opening balance	**1,251**	**2,830**
Profit/(loss) for the year	1,834	(2,125)
Translation reserve	(618)	(131)
Issue of share capital and premium	-	677
Closing balance	**2,467**	**1,251**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

7. Segmental analysis

Management currently identifies one division as an operating segment – mineral exploration. This operating segment is monitored and strategic decisions are made based upon this and other non-financial data collated from exploration activities.

Principal activities for this operating segment is as follows:

- Mining - incorporates the acquisition, exploration and development of gold resources primarily in Turkey.

	2017			Restated 2016		
	Mining £'000	Other reconciling items £'000	Group £'000	Mining £'000	Other reconciling items £'000	Group £'000
Administrative costs	-	(1,311)	(1,311)	-	(930)	(930)
General and specific exploration expenditure	(392)	-	(392)	(118)	-	(118)
Other income	-	-	-	1,215	-	1,215
Profit on disposal of available for sale investments	117	-	117	810	-	810
Gain on acquisition of remaining interest in Joint Venture	-	-	-	12,435	-	12,435
Share of profit/(loss) in Joint Venture	1,834	-	1,834	(2,125)	-	(2,125)
Share of profit on dilution of interest in Joint Venture	-	-	-	677	-	677
Investment income	-	176	176	-	103	103
Taxation	-	-	-	(486)	-	(486)
Profit after taxation	1,559	(1,135)	424	12,408	(827)	11,581
Assets						
Segment assets	23,076	838	23,914	21,796	854	22,650
Liabilities						
Segment liabilities	(3,976)	(213)	(4,189)	(4,539)	(192)	(4,731)
Additions to segment assets						
Intangible assets	412	-	412	16,359	-	16,359
Property plant & equipment	20	-	20	19	-	19
Depreciation	-	(1)	(1)	-	(1)	(1)

Other income includes consultancy and licence fees, and consideration in cash and shares for disposals of Australian tenements and licences.

Reconciling items include non-mineral exploration costs and transactions between Group and associate companies.

Geographical segments

The Group's mining assets and liabilities are located primarily in Turkey.

	2017			Restated 2016		
	Turkey £'000	United Kingdom £'000	Group £'000	Turkey £'000	United Kingdom £'000	Group £'000
Carrying amount of segment non-current assets	19,706	670	20,376	18,718	937	19,655

8. Taxation

	2017 £'000	2016 £'000
(a) Current tax expense in respect of the current year	-	486

The charge for the year can be reconciled to the profit/(loss) per the statement of comprehensive income as follows:

	2017 £'000	Restated 2016 £'000
Profit before tax	424	12,067
Profit multiplied by the standard rate of corporation tax in the UK of 19.25% (2016: 20%)	81	2,413
Effect of tax on share of Joint Venture profit	(352)	-
Disallowable expenses and other adjustments	-	294
Effect of gain on acquisition of Joint Venture	-	(2,486)
Effect of different tax rates and laws of subsidiaries operating in other jurisdictions	(8)	157
Losses to carry forward	279	108
Tax charge	-	486

The Group has UK losses carried forward on which no deferred tax asset is recognised in the financial statements as the recovery of this benefit is dependent on future profitability, the timing of which cannot be reasonably foreseen. Total UK losses carried forward amount to £9,087,000 (2016: £7,850,000).

Turkish tax losses carried forward at the year end amounted to £125,000 (2016: £297,000). These losses can be carried forward and used against future taxable income rate of 20%, although the Turkish losses expire after five years. Of the total Turkish tax losses £15,000 arose in 2013 and the balance in the subsequent years.

Australian tax losses carried forward at the year end amounted to £63,000 (2016:£nil) and Dutch tax losses carried forward at the year end amounted to £65,000 (2016: £nil)

No deferred tax assets had been recognised against the UK, Turkish, Australian and Dutch tax losses as the entities do not have sufficient taxable temporary differences in the year which the losses could be utilised against.

	2017 £'000	2016 £'000
(b) Deferred tax liability in respect of the current year		
Amount recognised in business combination	-	2,273

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

9. Loss of parent company

As permitted by Section 408 of the Companies Act 2006, the statement of comprehensive income of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £876,000 (2016: £614,000).

10. Profit per share

The calculation of basic profit per share is based on the profit attributable to ordinary shareholders of £424,000 (2016: profit £11,581,000) divided by the weighted average number of shares in issue during the year being 978,200,347 shares (2016: 824,015,916). The weighted-average number of shares for diluted earnings excludes out-of-the-money options and warrants as their effect would be anti-dilutive.

11. Intangible exploration assets

Group	Deferred exploration expenditure £'000
Cost	
At 1 January 2016	1,654
Additions through acquisition of remaining interest in Joint Venture	16,210
Additions and capitalised depreciation	149
Exchange movements	3
Disposal of Australian tenements and licences	(51)
At 31 December 2016	17,965
Additions and capitalised depreciation	412
Exchange movements	(498)
Expenditure written off	(352)
At 31 December 2017	17,527
Net book value	
At 1 January 2016	1,654
At 31 December 2016	17,965
At 31 December 2017	17,527

None of the Group's intangible assets are owned by the Company.

In the year, management has reviewed the recovery of the costs capitalised as intangible exploration assets and determined that £352,000 is not recoverable, hence management had taken the decision to write off these costs.

The technical feasibility and commercial viability of extracting a mineral resource are not yet demonstrable in the above intangible exploration assets. These assets are not amortised, until technical feasibility and commercial viability is established. Intangible exploration costs written off represent costs relating to certain projects that are no longer considered economically viable or where exploration licences have been relinquished.

12. Land, property, plant & equipment

Group	Land £'000	Computer equipment £'000	Drilling equipment £'000	Fixtures & fittings £'000	Motor vehicles £'000	Totals £'000
Cost						
At 1 January 2016	216	31	260	22	48	577
Additions	-	2	1	2	14	19
Additions through acquisition of remaining interest in Joint Venture	-	5	-	15	-	20
Disposals	-	-	-	-	(7)	(7)
Exchange movements	(2)	-	(1)	-	-	(3)
At 31 December 2016	214	38	260	39	55	606
Additions	-	4	-	1	15	20
Disposals	-	-	-	-	(6)	(6)
Exchange movements	(32)	(2)	(4)	(3)	(4)	(45)
At 31 December 2017	182	40	256	37	60	575
Depreciation						
At 1 January 2016	-	25	166	21	41	253
Charge	-	3	15	1	4	23
Depreciated assets in Joint Venture	-	4	-	13	-	17
Disposals	-	-	-	-	(4)	(4)
Exchange movements	-	(1)	(1)	-	-	(2)
At 31 December 2016	-	31	180	35	41	287
Charge	-	3	11	1	6	21
Disposals	-	-	-	-	(6)	(6)
Exchange movements	-	(2)	(13)	(1)	-	(16)
At 31 December 2017	-	32	178	35	41	286
Net book value						
At 1 January 2016	216	6	94	1	7	324
At 31 December 2016	214	7	80	4	14	319
At 31 December 2017	182	8	78	2	19	289

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

13. Available for sale investments

Group and Company	Group £'000	Company £'000
At 1 January 2017	866	46
Disposals	(583)	-
Adjustment to fair value	(53)	17
Exchange movements	(12)	-
At 31 December 2017	218	63
Net book value		
At 31 December 2017	218	63
At 31 December 2016	866	46

Available for sale investments represent the Group's investment in Novo Litio Limited (previously Dakota Minerals Limited) listed on the Australian Securities Exchange, and the Company`s investment in Royal Road Minerals Limited, a company listed on the Toronto Venture Exchange and all are stated at their market value at the year end.

As at 31 December 2017, due to changes in the market value of these investments, a fair value loss totalling £53,000 (2016 £23,000 gain) has been reflected in these accounts.

Additionally, during the year, the Group generated profits amounting to £117,000 on the disposal of all of its holding in Kingston Resources Limited and some of its shares in Novo Litio Limited.

14. Investments in Group undertakings

	Shares in Group undertakings £'000
Company	
Cost and Net book Value	
At 1 January and 31 December 2017	274

The Company's investments at the balance sheet date comprise ownership of the ordinary share capital of the following companies:

Subsidiaries	Ownership	Country of incorporation	Nature of business	Address
Ariana Exploration & Development Limited	100%	United Kingdom	Exploration	Bridge House, London Bridge, London, SE1 9QR, United Kingdom
Portswood Resources Limited	100%	British Virgin Islands	Holding company	Kingston Chambers P.O. Box 173 Road Town, Tortola, British Virgin Islands
Galata Madencilik San. ve Tic. Ltd.	100%	Turkey	Exploration	Çankaya Mah. Farabi Sok. 7/5 Çankaya, Ankara, Turkey
Çamyol Gayrimenkul, Madencilik, Turizm, Tarim ve Hayvancilik Ltd.	99%	Turkey	Land acquisition	Çankaya Mah. Farabi Sok. 7/5 Çankaya, Ankara, Turkey

Çamyol Gayrimenkul, Madencilik, Turizm, Tarim ve Hayvancilik Ltd. Is involved with the acquisition of land in the mine development area of the Red Rabbit Gold Project. It is a subsidiary of Galata Madencilik San. ve Tic. Ltd.

Ariana Exploration & Development Limited's investments at the balance sheet date comprise the following companies:

Subsidiaries	Ownership	Country of incorporation	Nature of business	Address
Greater Pontides Exploration B.V.	100%	Netherlands	Holding company	Herengracht 500, 1017 CB Amsterdam, Netherlands
Pontid Madencilik San. ve Tic. Ltd.	100%	Turkey	Exploration	Hilal Mahallesi, Konrad Adenauer Cd. 15A, 06550 Çankaya, Ankara, Turkey
Asgard Metals Pty. Ltd.	100%	Australia	Exploration	10 Wygonda Rd, Roleystone WA 6111, Australia

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

15. Non-current trade and other receivables

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Other receivables	93	120	-	-

Other receivables falling due after more than one year represent amounts due from the government of Turkey in respect of VAT relating to the Group's exploration projects.

16. Trade and other receivables

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Amounts owed by Group undertakings	-	-	10,421	8,518
Amounts owed by Joint Venture Company	2,029	1,261	-	-
Other receivables	474	384	-	-
Prepayments	44	44	20	9
	2,547	1,689	10,441	8,527

The fair value of trade and other receivables is not materially different to the carrying values presented. The amounts owed to the Company by Group undertakings are interest free and repayable on demand.

The loan repayable by the Joint Venture Company has no scheduled repayment terms and is repayable on demand. The loan is subject to quarterly interest charges by Galata Madencilik San. ve Tic. Ltd at a rate of 9.75% p.a.

17. Trade and other payables

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade and other payables	113	157	-	-
Social security and other taxes	28	438	-	-
Other creditors	25	12	-	-
Accruals and deferred income	99	200	6	14
	265	807	6	14

The above listed payables were all unsecured. The fair value of trade and other payables is not materially different to the carrying values presented.

18. Share capital and premium

Allotted, issued and fully paid ordinary 0.1p shares	Number	Ordinary Shares £'000	Deferred shares £'000	Share Premium £'000
In issue at 1 January 2017	841,541,799	841	4,995	9,241
Shares issued in the year	218,136,154	218	-	2,782
Less expenses on issue		-	-	(202)
In issue at 31 December 2017	1,059,677,953	1,059	4,995	11,821

During 2013 the existing ordinary shares were sub-divided into one new ordinary share of 0.1 pence ("New Ordinary Share") and one deferred share of 0.9 pence ("Deferred Share"). The New Ordinary Shares have a nominal value of 0.1 pence. The percentage of New Ordinary Shares held by each shareholder following the subdivision is the same as the percentage of existing ordinary shares held by the shareholder before the change.

Fully paid Ordinary Shares carry one vote per share and carry the right to dividends. Deferred Shares have attached to them the following rights and restrictions:

- they do not entitle the holders to receive any dividends and distributions;
- they do not entitle the holders to receive notice or to attend or vote at General Meetings of the Company;
- on return of capital on a winding up the holders of the Deferred Shares are only entitled to receive the amount paid up on such shares after the holders of the Ordinary Shares have received the sum of 0.1p for each ordinary share held by them and do not have any other right to participate in the assets of the Company.

During 2017 the Company issued 218,136,154 ordinary shares for a total net consideration of £2,798,000.

Potential issue of ordinary shares

Share options and warrants

In December 2017 the Company cancelled the share options issued in March 2011.

The Company issued 64,000,000 new options to directors and staff at an exercise price of 1.55 pence, vesting over 3 years, commencing on 1 January 2018. At 31 December 2017 the Company had no options (2016: 12,500,000) and 32,777,777 warrants (2016: 32,777,777) outstanding for the issue of ordinary shares as follows:

Date of grant	Exercisable from	Exercisable to	Exercise price	Number granted	Options cancelled during the year	Number at 31 December 2017
Options						
22 March 2011	22 March 2011	21 March 2018	5p	12,500,000	(12,500,000)	-
Total				12,500,000	(12,500,000)	-

Date of grant	Exercisable from	Exercisable to	Exercise price	Number granted	Warrants exercised during the year	Number at 31 December 2017
Warrants						
19 April 2013	19 April 2013	19 April 2018	2p	5,000,000	-	5,000,000
4 February 2015	4 February 2015	4 February 2018	1.8p	8,333,333	-	8,333,333
7 April 2015	7 April 2015	7 April 2018	1.8p	11,111,111	-	11,111,111
30 June 2015	30 June 2015	30 June 2018	1.8p	8,333,333	-	8,333,333
Total				32,777,777	-	32,777,777

No options or warrants were exercised in the year.

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For the year ended 31 December 2017

19. Deferred tax liabilities

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Opening and closing deferred tax liability	2,273	2,273	-	-

Deferred tax has been provided at 17% of the fair value uplift of intangible exploration assets that resulted from the business combination that happened in 2016 as set out in note 28.

20. Other financial liabilities

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Contingent consideration payable	1,651	1,651	-	-

The contingent consideration is calculated on a 2% net smelter returns royalty on the production revenue. This liability will be remeasured at each reporting date and any gain or loss will go through the income statement.

21. Contingent liabilities

The Group had no contingent liabilities at the year end (2016: £nil), other than the contingent consideration payable on any eventual production at Salinbaş.

22. Operating lease arrangements

At the year end, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017 £'000	2016 £'000
Within one year	17	11

23. Capital commitments

The Group had no authorised or unauthorised capital commitments at the year end (2016: £nil).

24. Related party transactions

Group companies

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

Ariana Resources PLC is the beneficial owner and controls, or is in joint venture with, the following companies and as such are considered related parties:

Ariana Exploration & Development Limited

Portswood Resources Limited

Galata Madencilik San. ve Tic. Ltd.

Zenit Madencilik San. ve Tic. A.S. (Joint Venture)

Çamyol Gayrimenkul, Madencilik, Turizm, Tarim ve Hayvancilik Ltd.

Asgard Metals Pty. Ltd.

Greater Pontides Exploration B.V.

Pontid Madencilik San. ve Tic. Ltd.

The only transactions during the year between the Company and its subsidiaries were intercompany loans, which were interest free and payable on demand and included the following:

Loans payable by Ariana Exploration & Development Limited and Galata Madencilik San. ve Tic. Ltd. to Ariana Resources PLC amounted to £10,408,225 (2016: £8,512,362) and £14,294 (2016: £13,492) respectively.

William Payne is a partner in Wilkins Kennedy LLP, Chartered Accountants, the firm which provides his services. During the year end 31 December 2017, Wilkins Kennedy LLP were paid £41,000 (2016: £36,000) in respect of his services as a Director, and £71,070 (2016: £58,850) in respect of accounting and management services. Fees paid for WJB Payne's services are included as part of Directors emoluments declared in Note 3. At the year end the Group owed Wilkins Kennedy LLP £43,579 (2016: £32,255).

Matrix Exploration Pty. Ltd., a company majority owned by Dr. Kerim Sener, charged the Company £nil (2016: £8,100) and Asgard Metals Pty. Ltd A$ nil (2016: A$ 49,100) for office rent and other services. At the year end the Company and Asgard Metals Pty. Ltd owed Matrix Exploration Pty. Ltd. £nil (2016: £nil).

Joint Venture companies

Loans payable on demand by Zenit Madencilik San. ve Tic. A.S. to Galata Madencilik San. ve Tic. Ltd. amounted to £2,028,585 (2016: £1,260,125). Interest receivable has been included under Investment Income in the statement of comprehensive income and amounted to £169,947 (2016: £95,225).

25. Post year end events

None.

26. Capital management policies and procedures

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern;
- To increase the value of the assets of the business; and
- To provide an adequate return to shareholders in the future when exploration assets are taken into production.

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production and cash flow, either with partners or by our own means.

The Group monitors capital on the basis of the carrying amount of equity, cash and cash equivalents as presented on the face of the consolidated statement of financial position. Movements in capital for the year under review are summarised in Note 18 and in the consolidated statement of changes in equity.

The Group manages its capital structure in response to changes in economic conditions and in accordance with the Group's objective to finance additional work on existing and new projects to enhance their overall value.

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For the year ended 31 December 2017

27. Financial instruments

In the normal course of its operations, the Group and Company are exposed to gold prices, currency, interest rate and liquidity risk.

The Group and Company use financial instruments, other than derivatives, comprising, short term deposits, cash, liquid resources and various items such as sundry debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's and Company's financial instruments are liquidity and currency differences on foreign currency net investments. The Directors review and agree policies for managing these risks and these are summarised below.

Liquidity risk

Liquidity risk is the risk that the Group and Company will not be able to meet its financial obligations as they fall due.
The Group and Company seek to manage financial risk to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Board will seek additional funds from the issue of share capital and warrants where appropriate, by reviewing financial and operational budgets and forecasts. The Group and Company's financial liabilities, including interest bearing liabilities and trade and other payables will all be settled within six months of the year end with the exception of the contingent consideration payable which is not expected to become payable for a period beyond 5 years.

Credit risk

Credit risk is the risk of financial loss to the Group and Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group and Company have borrowings outstanding from its subsidiaries and joint ventures, the ultimate realisation of which depends on the successful exploration and realisation of the Group's intangible exploration assets:

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade and other receivables (current)	2,503	1,645	10,421	8,518
Trade and other receivables (non-current)	93	120	-	-
	2,596	1,765	10,421	8,518

The concentration of credit risk for trade and other receivables at the balance sheet date by geographic region was:

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
United Kingdom	460	372	10,427	8,514
Turkey	2,066	1,317	14	13
Other	21	-	-	-
	2,547	1,689	10,441	8,527

Market risk

Foreign exchange risk arises due to the Group's and Company's primary operations being in Turkey. The Group and Company have a general policy of not hedging against its exposure of foreign investments in foreign currencies. The Group and Company are exposed to translation and transaction foreign exchange risks and take profits or losses on these as they arise.

Group	GBP		Turkish Lira		Other		Total	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Cash and cash equivalents	314	80	23	51	436	309	773	440
Trade and other receivables	460	373	2,066	1,316	21	-	2,547	1,689
Available for sale financial assets	-	-	-	-	218	866	218	866
Trade and other payables	212	346	23	52	30	409	265	807
Other financial liabilities	1,651	1,651	-	-	-	-	1,651	1,651

Company	GBP		Turkish Lira		Other		Total	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Cash and cash equivalents	-	-	-	-	-	-	-	-
Trade and other receivables	10,427	8,514	14	13	-	-	10,441	8,527
Available for sale financial assets	63	46	-	-	-	-	63	46
Trade and other payables	6	14	-	-	-	-	6	14
Other financial liabilities	-	-	-	-	-	-	-	-

Sensitivity analysis

Foreign exchange risk arises due to the Group's and Company's primary operations being in Turkey.

A 10% percent weakening of Turkish Lira against the Sterling at the reporting date would have increased / (decreased) equity and profit or loss by £223,000. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

Market risk - Borrowing facilities and interest rate risk

The Group and Company finances its operations primarily through the issue of equity share capital and debt in order to ensure sufficient cash resources are maintained to meet short-term liabilities and future project development requirements. Additional cash was received during the year as a result of further capital raising activities. Cash assets returned on average an interest rate of 0.5% during the year. Cash deposits are kept under regular review, with reference to future expenditure requirement and to maximise interest receivable.

Sensitivity analysis

(a) The Group and Company have limited exposure to changes to Interest rates both locally and in Turkey since the interest accruing on bank deposits was relatively immaterial.

(b) The Group and Company have no interest rate exposure on the loan finance provided during the year as the amounts owed by Group undertakings are interest free.

Market risk – Equity price risk

The Group and Company's exposure to equity price risk arises from its investment in equity securities which are classified as available for sale financial assets and are shown on the balance sheet as available for sale investments (see note 13).

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For the year ended 31 December 2017

Sensitivity analysis

A 10% percent movement in the market price of available for sale investments would have increased / (decreased) equity and Other Comprehensive income by £21,800. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

Fair values of financial instruments

The fair value of a financial instrument is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Set out below is a comparison by category of carrying amounts and fair values of all the Group's financial instruments:

	Carrying Amount		Fair Values	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Financial assets				
Cash and cash equivalents	773	440	773	440
Available for sale financial assets – Level 1	218	866	218	866
Loans and receivables				
Trade and other receivables (current)	2,547	1,689	2,547	1,689
Trade and other receivables (non-current)	93	120	93	120
Financial liabilities measured at amortised cost				
Trade and other payables	(265)	(807)	(265)	(807)
Other financial liabilities (non-current)	(1,651)	(1,651)	(1.651)	(1,651)

The fair value of trade and other receivables is estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date. For receivables and payables with a remaining life of less than one year, the notional amount is deemed to reflect fair value. All other receivables and payables are, where material, discounted to determine the fair value.

When measuring the fair value of an asset or a liability, the Group and Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Differences arising between the carrying and fair value are considered not significant to adjust for in these accounts. The carrying and fair value of intercompany balances are the same as if they are repayable on demand.

28. Business combination

In 2016 the Group announced that in addition to its 49% shareholding already held in the Greater Pontides Exploration B.V., ("GPE") it acquired all of the remaining shares in issue held by its joint venture partner, Eldorado Gold Corporation, following their strategic decision to withdraw from the project for a consideration of US$100 and a net smelter royalty of up to 2%. The principal asset of GPE are the licences held within an area known as Salinbaş in north-eastern Turkey.

The Directors consider a bargain purchase arose on the acquisition of the remaining shares in GPE on the basis that their assessment of the Group's ability to realise value from the Salinbaş project differed from that of Eldorado, particularly in the light of their withdrawal from this type of project in Turkey.

The gain arose on the acquisition of full control due to the fair value of the identifiable net assets attributable to the owners of the Group being considered to be greater than the consideration payable, based on an external mine scoping study valuation commissioned by the Directors for the purposes of the accounts, as set out below:

Assets acquired and liabilities recognised at the date of acquisition:

	Book Value £'000	Fair value adjustment £'000	2016 £'000
Non-current assets			
Property, plant and equipment	3	-	3
Intangible asset – adjusted to fair value	2,839	13,371	16,210
Current assets			
Other receivables	118	-	118
Cash and cash at bank	49	-	49
Current liabilities			
Trade and non current liabilities	(21)	-	(21)
Deferred tax liability	-	(2,273)	(2,273)
Net assets acquired	2,988	11,098	14,086
Net assets acquired			14,806
Contingent consideration payable			(1,651)
Gain on acquisition			12,435
Gain on acquisition made up of :			
Gain on interest previously held in associate			4,008
Gain on bargain purchase			8,427
			12,435

In addition to the cash consideration for the shares acquired amounting to US$100, a 2% Net Smelter Royalty will become payable on commencement of production at Salinbaş. The fair value of potential liability of the royalty has been valued at £1.651 million and is disclosed under other financial liabilities as set out in note 20.

Deferred tax has been provided on the fair value uplift on recognition of intangibles at 17% and is disclosed under non-current liabilities as set out in note 19.

No expenditure has been incurred by GPE in the period from the date of acquisition to the 31 December 2016.

No further business combinations took place during 2017.

Please note that this document is important and requires your immediate attention. If you are in any doubt as to the action to be taken, please consult an independent adviser immediately. If you have sold or transferred or otherwise intend to sell or transfer all of your holding of ordinary shares in the Company prior to the record date (as described in Note 12) for the Annual General Meeting of the Company on 29 June 2018 at 10.00 a.m., you should send this document, together with the accompanying Form of Proxy, to the (intended) purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was or is to be effected for transmission to the (intended) purchaser or transferee. If you have sold some only of your ordinary shares then please retain this document.

Notice of the 2018 Annual General Meeting of Ariana Resources PLC

Company Number: 05403426

Notice is hereby given that the Annual General Meeting of Ariana Resources PLC (the "Company") will be held at the East India Club, 16 St James's Square, London, SW1Y 4LH on 29 June 2018 at 10.00 a.m. in order to consider and, if thought fit, pass resolutions 1 to 4 as Ordinary Resolutions and Resolutions 5 and 6 as Special Resolutions:

Ordinary resolutions

1. To receive the Annual Report and Accounts for the year ended 31 December 2017.
2. To re-elect William Payne who is retiring by rotation under the Articles of Association as a Director of the Company.
3. To re-appoint KPMG LLP as auditors and to authorise the Directors to fix their remuneration.
4. That the directors be generally and unconditionally authorised to allot Relevant Securities (as defined in the notes to this Notice) up to a maximum nominal amount of £500,000 comprising:

4.1 equity securities (as defined by section 560 of the Companies Act 2016) of ordinary shares of 0.1p each in the capital of the Company ("Ordinary Shares") up to an aggregate nominal amount of £250,000 in connection with an offer by way of a rights issue:

4.1.1 to holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective holdings; and

4.1.2 to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

4.2 in any other case, up to an aggregate nominal amount of £250,000.

Provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the date which is 15 months after the date on which this resolution is passed or, if earlier, the date of the next annual general meeting of the Company save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the directors may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

This resolution revokes and replaces all unexercised authorities previously granted to the directors to allot Relevant Securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

Special resolutions

5. That, subject to the passing of Resolution 4 the Directors be given the general power to allot equity securities (as defined by Section 560 of the 2006 Act) for cash, either pursuant to the authority conferred by Resolution 4 or by way of a sale of treasury shares, as if Section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall be limited to:

5.1 the allotment of equity securities in connection with an offer by way of a rights issue:

5.1.1 to the holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and

5.1.2 to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary, but subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

5.1.3 the allotment (otherwise than pursuant to paragraph 4.1 above) of equity securities up to an aggregate nominal amount of £250,000.

The power granted by this resolution will unless renewed, varied or revoked by the Company, expire at the conclusion of the next Annual General Meeting of the Company following the date of the passing of this resolution or (if earlier) 15 months from the date of passing this resolution, save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

This resolution revokes and replaces all unexercised powers previously granted to the Directors to allot equity securities as if section 561(1) of the 2006 Act did not apply, but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities.

6. That the Company be and is hereby generally and unconditionally authorised for the purpose of section 701 of the Act to make market purchases (as defined in section 693 of the said Act) of ordinary shares of 0.1p each in the capital of the Company ("Ordinary Shares") provided that:

6.1 the maximum number of Ordinary Shares hereby authorised to be purchased is 50 million;

6.2 the minimum price (exclusive of expenses) which may be paid for an ordinary share is 0.1p per share, being the nominal amount thereof;

6.3 the maximum price (exclusive of expenses) which may be paid for an ordinary share is an amount equal to 100% of the volume weighted average price ("VWAP") of an Ordinary Share for the thirty business days prior to the day the purchase is made;

6.4 the authority hereby conferred shall (unless previously renewed or revoked) expire on the earlier of the end of the next Annual General Meeting of the Company and the date which is 15 months after the date on which this resolution is passed;

6.5 the Company may make a contract to purchase its own Ordinary Shares under the authority conferred by this resolution prior to the expiry of such authority, and such contract will or may be executed wholly or partly after the expiry of such authority, and the Company may make a purchase of its own Ordinary Shares in pursuance of any such contract; and

6.6 Ordinary Shares purchased pursuant to the authority conferred by this resolution shall be either (i) cancelled immediately upon completion of the purchase or (ii) be held, sold, transferred or otherwise dealt with as treasury shares in accordance with the provisions of the Act.

By Order of the Board dated
1 June 2018

Michael de Villiers
Company Secretary

Bridge House
London Bridge
London
SE1 9QR
UK

Notes:

1. As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company. You can only appoint a proxy using the procedures set out in these notes.
2. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
3. A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name in the box. If you sign and return this proxy form with no name inserted in the box, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the Chairman and give them the relevant instructions directly.
4. You may not appoint more than one proxy to exercise rights attached to any one share.
5. To direct your proxy how to vote on the resolutions mark the appropriate box with an 'X'. To abstain from voting on a resolution, select the relevant "Vote withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If you give no voting indication, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
6. To appoint a proxy you must ensure that the attached proxy form is completed, signed and sent to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 7ZY by no later than 10.00 a.m. on 27 June 2018.
7. In the case of a member which is a company, the Form of Proxy must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
8. Any power of attorney or any other authority under which this proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
9. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
10. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
11. You may not use any electronic address provided in this proxy form to communicate with the Company for any purposes other than those expressly stated.
12. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the time by which a person must be entered on the register of members in order to have the right to attend and vote at the Annual General Meeting is 10.00 a.m. on 27 June 2018, (being not more than 48 hours prior to the time fixed for the Meeting) or, if the Meeting is adjourned, such time being not more than 48 hours prior to the time fixed for the adjourned meeting. Changes to entries on the register of members after that time will be disregarded in determining the right of any person to attend or vote at the Meeting.

Relevant Securities means:

- Shares in the Company other than shares allotted pursuant to:
  - an employee share scheme (as defined by section 1166 of the Act);
  - a right to subscribe for shares in the Company where the grant of the right itself constituted a Relevant Security; or
  - a right to convert securities into shares in the Company where the grant of the right itself constituted a Relevant Security.
- Any right to subscribe for or to convert any security into shares in the Company other than rights to subscribe for or convert any security into shares allotted pursuant to an employee share scheme (as defined by section 1166 of the Act). References to the allotment of Relevant Securities in the resolution include the grant of such rights.

Advisors

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M J de Villiers
A K Sener
W J B Payne
C J S Sangster

Secretary
M J de Villiers

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