Ariana Resources PLC

Annual Report & Accounts 2012

Ariana Resources PLC

Ariana Resources is an AIM-listed gold exploration and development company focused on epithermal gold-silver and porphyry copper-gold deposits in Turkey.

Our mission

Ariana aims to deliver shareholder value through the dual strategy of developing a profitable gold mining operation and building long-term value through exploration. Ariana creates value via the identification and advancement of projects up the value curve to development. Ariana is targeting the discovery of a multi-million ounce gold deposit in Turkey.

Our objective

Our objective is to explore for and develop new gold mines in Turkey. Through a unique combination of in-country understanding and international expertise, the Company is adding value for its shareholders across its exploration portfolio.

Overview

Business review

Governance

Financial statements

Our business model

Our business model has been developed to maximise value by focusing on all stages of the exploration and development cycle. To help identify the status of project activity against this model, we have developed a series of icons that are used throughout this report.

2012 Highlights

Red Rabbit Gold Project

150,000

tonnes ore per annum

Interim Feasibility Study (FS) on the Red Rabbit Gold Project highlighting a mine output of 150,000 tonnes of ore per annum, with an average production of approx. 21,000 oz per year of gold equivalent over the first five years of operation.

8 years

mine life

Red Rabbit Gold Project cont.

1,147,550 t

in-pit reserve

The Interim FS showed a mine life at Red Rabbit of eight years reinforcing the economic potential of the project. The in-pit reserve stands at 1,147,550 tonnes: this corresponds to 115,460 oz of gold and 1,468,200 oz of silver. The new pit designs have enabled considerable savings in waste rock movement, reducing the strip ratio from 14.5:1 (waste:ore) at the PFS level to 12.5:1 at the FS level.

10 year

operating licence

The Company is targeting a total mine life of approximately 10 years based on the potential to identify further resources in the vicinity of the Kiziltepe plant. The Kizilcukur property was granted a 10 year operational permit and a 1,500m drilling programme has been planned in advance of receiving forestry permits.

Tigris Resources

Exploration

Ariana retains 11.5% of Tigris Resources.

Exploration will continue through further drilling at the Kolonkaya intrusion related/porphyry system. Regional exploration will continue in the region of Kolonkaya and elsewhere in south-eastern Turkey.

Exploration and discovery

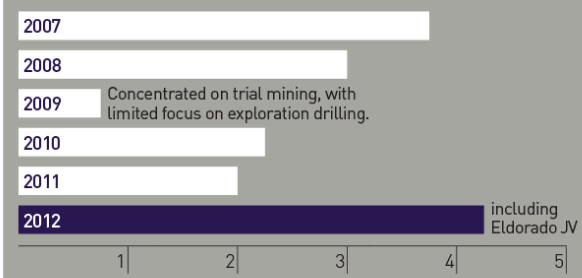
Eldorado JV

Over 1 Moz discovered

The JV continues to be funded by Eldorado Gold Corporation (budget for 2013 US $2.2M).

A 1,889m drilling programme designed to assist the development of a resource model proceeded in Q4 2012. Following this drilling, Ariana released a maiden JORC resource for the Artvin Project of 1.09 Moz gold Inferred and Indicated.

Total Diamond/RC drilling (x1,000 m)



Resource growth (x100,000 gold equivalent oz)

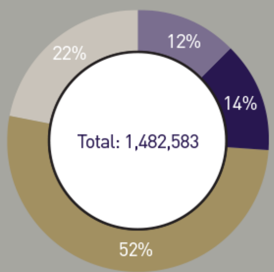
Total JORC resource

Gold: 1.48 Moz

Silver: 7.7 Moz

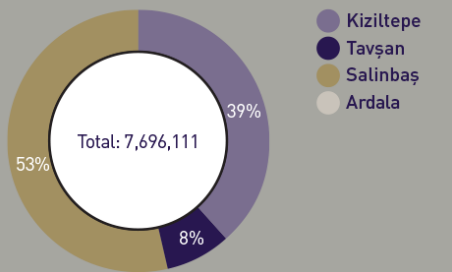
Gold resources by area (oz)

Total Measured, Indicated and Inferred



Silver resources by area (oz)

Total Measured, Indicated and Inferred



Note: Kiziltepe and Tavşan resources are currently 82% held by Ariana; Salinbaş and Ardala resources are 49% held by Ariana.

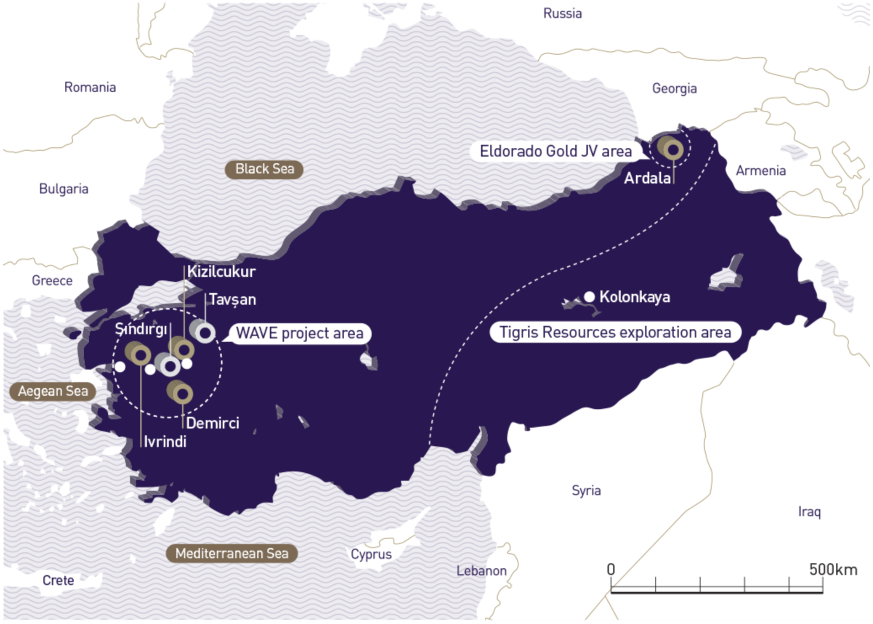
Our business at a glance

Where we operate

Turkey represents a unique opportunity for gold exploration on the doorstep of Europe. Ariana was one of the first companies to enter Turkey before the recent boom in exploration activity and continues to develop upon its first-mover advantage.

- Red Rabbit Project
- Advanced projects
- Exploration licences
- Ariana areas of operation

See more information on pages 09–13



Our business model

Our business model has been developed to maximise value by focusing on all stages of the exploration and development cycle.

Increased market capitalisation

Cash flow from production will be partially fed back into future exploration and project development programmes. This will result in both project growth and diversification, which is expected to lead to an increase in market capitalisation.

Exploration

Ariana is committed to further diversifying its portfolio through exploration, discovery and the generation of long-term value ahead of production at Kiziltepe. The first milestone was the acquisition via auction of four new licences identified as highly prospective following the Company's grassroots exploration programme in western Turkey during 2010–2011. The second milestone was to secure access to an extensive Turkish exploration database, which was complied by a major company over 20 years, providing Ariana with a key strategic exploration advantage in Turkey.

See pages 12–13

Discovery

At the Kiziltepe Sector of the Red Rabbit Gold Project, an exceptionally high grade mineralised zone was identified on the Derya vein extension beneath cover during the H1 2012 drilling programme, which targeted the discovery of a buried vein system connecting Arzu North and Arzu South.

At the Artvin Project in north-eastern Turkey, a maiden Indicated and Inferred JORC resource of 1.09 Moz gold has been identified at the Salinbafl Au-Ag system and the Ardala Cu-Au-Mo porphyry.

See pages 11–12

Production

Ariana is targeting the extraction of 150,000 tonnes of ore per annum, with an average production of up to 21,000 oz gold equivalent for up to eight years from the Kiziltepe Sector of the Red Rabbit Gold Project

Development

The formal Environmental Impact Assessment (EIA) process is currently underway and the Definitive Feasibility Study (DFS) for Kiziltepe is in its final stages. Against the current schedule, the Company is targeting financing and construction start at Kiziltepe in Q4 2013.

See pages 10–11

Our strategy

We have a clear and consistent strategy focused upon delivering sustainable long-term growth by balancing our funding, exploration and development spend, and new initiatives in Turkey.

Vision

To be a leading gold exploration, development and production company in Turkey.

Objective

To deliver substantial returns to shareholders.

Strategy

We are committed to delivering value via a robust, cost-efficient and focused exploration and development strategy, which integrates geoscientific knowledge and new technologies to identify, advance and develop projects rapidly.

We will achieve this by:

- Focusing on the discovery of sizeable mineral systems.
- Building long-term relationships with local government, communities and key stakeholders.
- Continuing to develop a strong team with excellent commercial, technical and financial skills.
- Executing selective, high-impact exploration programmes and joint venture opportunities.
- Ensuring safe operating procedures and minimising environmental impact.

Delivering on our strategic vision

Ariana's business strategy focuses on developing a balanced portfolio comprising three key components: advancing the Red Rabbit Gold Project toward production, targeted exploration and licence acquisition and diversification through joint ventures and investments.

For more information on these projects, see the operations review on page 08

Mine Development

Ariana's flagship Red Rabbit Gold Project was formed in 2009 to advance the opportunities identified by the Company in two licence areas in western Turkey: Kiziltepe and Tavflan. Red Rabbit lies in the highly prospective WAVE (Western Anatolian Volcanic and Extensional) province of Western Turkey.

Following successful trial mining at Kiziltepe in 2009, Ariana formed a joint venture with a Turkish construction firm, Proccea Construction Co. to advance the project toward production. Proccea has an established track record in processing plant and industrial construction projects internationally.

In 2012, an Interim Feasibility Study for Red Rabbit was completed by independent consultants, Tetra Tech, showing a mine life of eight years, with in-pit reserve of 115,460 oz of gold and 1,468,200 oz of silver. The Definitive Feasibility Study (DFS) is in its final stages and formal Environmental Impact Assessment (EIA) permitting is now underway.

Exploration

The Company's exploration strategy has sought to develop a robust project pipeline. Following a grassroots exploration programme in western Turkey, the Company targeted licences for acquisition through the government auction process.
This led to the purchase of four new licences in 2012.

Post-period Ariana announced the non-exclusive rights to a Turkish exploration database owned by a major gold mining company. Compiled over two decades it contains extensive exploration data which will
be analysed to help target new exploration opportunities in the vicinity of the Kiziltepe operation and beyond.

In 2012, exploration and drilling in the Red Rabbit project area identified four new vein systems. An area of cover between the planned Arzu North and Arzu South pits was identified as having the potential to host the same mineralised system at depth. Drill testing in this area led to the highest grades of gold ever recorded at the Kiziltepe deposit.

Joint Ventures and Investments

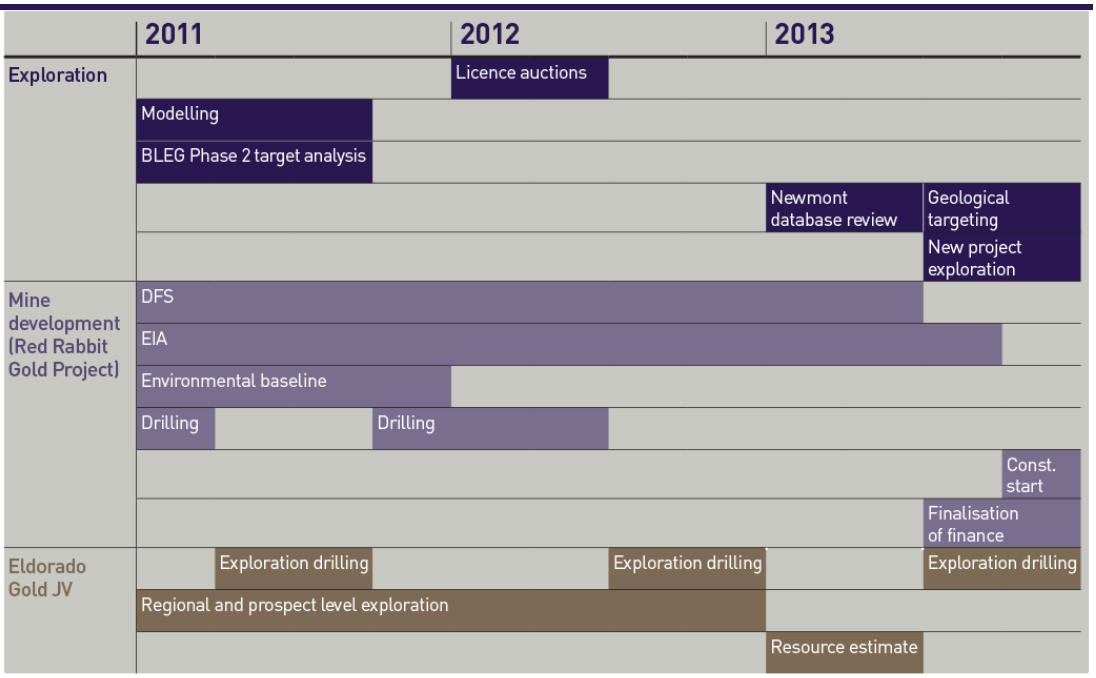
Diversifying the Company's portfolio through joint ventures and investments has been central to Ariana's strategy. In 2008 the Company announced a joint venture with European Goldfields (now Eldorado Gold) for the development of the Ardala copper-gold deposit in north-eastern Turkey. A 1,889m drilling programme commenced in October 2012 with Eldorado Gold continuing to fully fund the JV with US$1.77M budgeted in 2012. The drilling programme resulted in completion of a JORC compliant mineral resource estimate for Salinbafl and Artvin. The combined JORC Inferred and Indicated resource at Salinbafl and Ardala is 1.09 Moz gold.

In 2010, Ariana made a strategic investment in Tigris Resources, a private company focused on exploration for copper-gold resources in the highly prospective but under-explored region of south-eastern Turkey. Ariana currently owns 11.5% of Tigris Resources.

Our key focus for the years ahead

Ariana is focused on its flagship Red Rabbit Gold Project, its regional exploration programme in western Turkey, the Eldorado Gold joint venture in north-eastern Turkey and exploration in eastern Turkey through its investment in Tigris Resources.

See chart opposite for key project timelines



Chairman's statement

I am pleased to have this opportunity to update our shareholders on the continuing progress of your Company at this key phase of our development, as we advance ever closer to production at our first gold mine, targeted for 2014. The Ariana team successfully delivered on numerous key objectives during 2012, laying the foundation for a truly transformational year in 2013.

Ariana is preparing to generate a solid stream of news flow this year, as we progressively de-risk our flagship Red Rabbit Gold Project ('Red Rabbit') – through the publication of our Definitive Feasibility Study ('DFS'); the receipt of Environmental Impact Assessment ('EIA') certification; and the start of mine construction. While all of this development activity is based around the Kiziltepe Sector of Red Rabbit, the Ariana team remains fully committed to its exploration strategy. The team has conducted and delivered several strategic appraisal programmes which, the Board believes, have the potential to generate significant future value for the Company, building Ariana into a gold and precious metals exploration, development and production company focused on geologically highly prospective regions of Turkey.

The Board of Ariana remains only too aware of the impact of the current adverse market sentiment towards exploration companies and of the recent correction in precious metals prices. These influences have combined to create a very difficult environment for many of our peers. But, despite these setbacks, it remains our strategy to continue to de-risk our more advanced projects as we progress them up the value curve, in tandem with feeding in new gold prospects, to build the Company's project pipeline and to add gold ounces to our global JORC inventory. We are convinced that this strategy, supported by our projections of low production costs of under US$700 per ounce of gold at Red Rabbit and the low associated political and operational risk factors for our main projects in Turkey, should take us further down the route of allaying any current investor concerns.

Despite the market turmoil that practically all junior resource companies are facing at present, I remain wholly positive about the longer term fundamentals for mining companies such as ours. True, in the short term, the market remains vulnerable to further instability after the sharp corrections in gold and silver prices in early 2013. However, gold's fundamentals remain sound. In its role as a hedge against inflation/currency depreciation, gold remains the ultimate store of value, while US and European budget negotiations remain unresolved. With robust physical demand from China and India and continuing strong investment demand, I believe that these corrections have created the path for a more gradual rise to a sustainable and stable long term gold price. So, despite much recent speculation that these events mark the end of the decade-long gold bull market, I would point investors to similar corrections in both mid 2006 and again in late 2008 when the gold price retreated sharply, down more than 25% and 33% respectively, before resuming its longer term upward trend.

With this in mind, the Ariana team remains focused on realising the longer term value generated across its portfolio of assets, with the prime objective of bringing Red Rabbit into production. Over recent months, we have made considerable progress in this direction. Calendar year 2012 saw the all-important sanctioning by the Turkish government authorities of the forestry permits for the drilling of the designated tailings storage area of the Kiziltepe Sector. Unsuccessful efforts to secure such approvals have been the source of protracted delays in recent years for a number of developing mining companies operating in Turkey. Achieving this milestone provided us with the access we crucially required in order to complete our geotechnical and hydrogeological drilling – a key stage ahead of the finalisation of our DFS.

The DFS represents a major landmark in the development of Red Rabbit, as we anticipate confirmation of the project's robust and attractive economic fundamentals. In parallel with the completion and publication of our DFS, we are advancing other key components of the development process. In February 2013 we submitted our Project Summary Document to the Ministry of Environment and Urban Planning, initiating the formal environmental permitting process at Kiziltepe. In line with this, the route to production has now been set out clearly before us, with the EIA permitting process expected to be concluded during H2 2013, swiftly followed by the commencement of mine construction by the end of 2013.

More recently, Ariana was highly encouraged this year by the outcome of its public and ministerial consultation meetings, attended by more than 100 people from the villages surrounding Kiziltepe. The feedback received by the Ariana team at this meeting was extremely positive, giving us the reassurance of local support and confirming that there is no local opposition to the development of Kiziltepe as a producing mine. The value of this support cannot be underestimated – the backing of the local community is an essential prerequisite for getting this project off the ground. We would therefore like to take this opportunity to offer our deep thanks and to emphasise how much we look forward to working with these communities. This support reinforces our view that the development of Red Rabbit will benefit all those involved in this vibrant enterprise.

As previously mentioned, our exploration team has also had an extremely busy year leading up to 2013. Their work has centred on two prime areas: the wider Red Rabbit project area, and the Ardala and Salinbafl properties in north-eastern Turkey. Drilling programmes conducted at Kiziltepe have yielded truly exceptional results, with the highest ever grades reported from the deposit. Values included an intercept of 12.1m at 16.5 g/t Au equivalent, including 1m at 79.7 g/t Au equivalent. These outstanding results have underscored the significant further potential within the Kiziltepe Sector and point to the considerable additional upside we believe could be derived from the Kiziltepe mine development.

Looking at the wider area, Ariana has also conducted work at adjacent regional targets, Kepez West and Karakavak. The results have reinforced our view that the S›nd›rg› Gold Corridor contains demonstrable potential for the discovery of additional resources.

Our exploration efforts at the Salinbafl and Ardala properties, which we are developing in joint venture with Eldorado Gold, resulted in the publication of a JORC compliant resource estimate of 180,000 oz Au plus 820,000 oz Ag (Indicated) and 590,000 oz Au plus 3.3 Moz Ag (Inferred) at Salinbafl, and the identification of a 323,000 oz Au Inferred resource at Ardala. Establishing this highly encouraging maiden resource represents a crucial step towards realising the wider gold resource potential of the whole system. We firmly believe these deposits have the capacity to host a resource in excess of 1 Moz gold.

Following the success of Ariana's exploration campaign at Ardala and Salinbafl, Eldorado Gold has now agreed to assume operational management of the joint venture. This is a powerful endorsement of the potential of this exciting project; we look forward to working closely with the Eldorado Gold team as we move towards proving up the wider prospectivity of this system.

"The Ariana team remains focused on realising the longer term value generated across its portfolio of assets, with the prime near term objective of bringing Red Rabbit into production. Over recent months, we have made considerable progress in this direction."

The Ariana team has once again demonstrated its exploration credentials in 2012 through the successful implementation of numerous drilling and appraisal campaigns. The emphasis on exploration will continue throughout 2013. In the June 2012 licence auction process, we successfully acquired four highly attractive new licence areas covering 4,058 hectares. We also concluded an agreement to access the powerful and comprehensive Turkish exploration database assembled by Newmont Mining Corp. during a period of 20 years worth of activities in Turkey.

Both developments provide the Company with further scope to expand its exploration footprint across western Turkey – an area over which the Ariana team has developed an extensive understanding of the geological and operational environment. The Newmont database – valued at approximately US$20M – will be a hugely important tool in the expansion of our exploration activities within prospective and underexplored regions of Turkey, enabling us to build a solid pipeline of quality assets through which to generate long-term value for our shareholders.

Our exploration team is therefore extremely well equipped to undertake the challenge of identifying new +1 Moz gold deposits in Turkey. As we move further towards de-risking our flagship Red Rabbit Gold Project as it heads towards profitable production in 2014, we believe Ariana Resources represents a significant and compelling value proposition.

Our shareholders have loyally and generously continued to support us during a year of extremely difficult funding conditions for junior mining companies. During 2012 we completed an AIM market placing raising a total of £625,000, and we have continued to utilise the SEDA (Standby Equity Drawdown Agreement) facility negotiated with Yorkville Advisors. Via these mechanisms, we have successfully funded our continuing exploration and development activities. We are now on the final straight, and within sight of cash flow generation.

Michael Spriggs

Chairman
24 May 2013

Gold and silver market overview

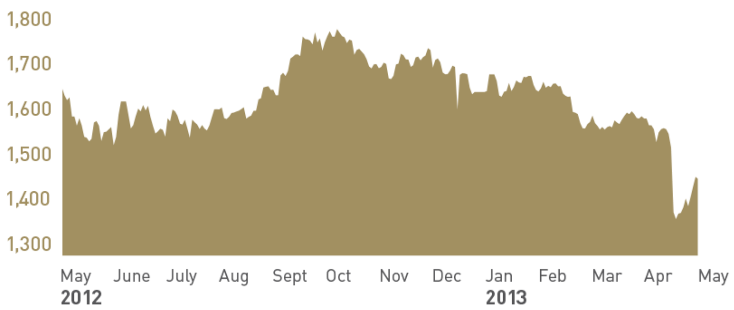
Amid the gold and silver price turmoil of early 2013, considered market analyses continue to underline their sound fundamentals. Gold's traditional role as a safe haven and inflation hedge was challenged in 2012 by the strong competing performance of equity markets. However, with lacklustre rates of economic growth in the developed world, concern over lax monetary policies, and difficult budget negotiations yet to be addressed, the rationale for gold's traditional role remains intact.

World gold mine production reached a record high last year but, with cash costs now averaging almost, US$1,200/oz future supply will be constrained by price corrections. By contrast, gold jewellery and investment demand, the main driving forces in the bullion market, were down just slightly in 2012, as were the amounts in gold-backed ETFs (Exchange Traded Funds).

Silver continues to behave as a volatile variant of gold and its price was also hit in early 2013. However, demand for silver has continued to grow rapidly, as it is an industrial metal.

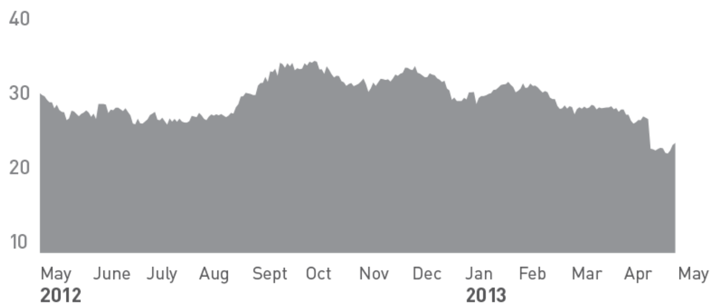
Under this combination of conditions, gold and silver are unlikely to fall out of favour with investors in 2013.

Average daily London Gold Price (US$ per ounce)



gold price in US$ 1,469/oz

Average daily London Silver Price (US$ per ounce)



silver price in US$ 24.42/oz

Europe's premier gold destination

Turkey lies within the globally significant Tethyan metallogenic belt, which hosts some of the world's largest gold, silver and copper deposits.

Turkey is Europe's largest gold producer with seven operating gold mines. Turkey's current defined gold reserves are 710 tonnes but geological predictions show the potential for approximately 6,500 tonnes.

9 Moz*

Turkey's silver production
* 2011 production figure from The Silver Institute

7th*

Turkey has the seventh largest silver mine in the world
* 2011 figure from The Silver Institute

Recent discoveries

The first recent discovery of gold in Turkey was made in 1988. This discovery became the first modern gold mine in the country, the 1 Moz Ovacik mine. This began production in 2001 and is now one of the most advanced in the world, maintaining the highest of environmental standards. In 2006 production started at the Kiflladaâ€ gold mine, and with Proven and Probable reserves of 10 Moz, it has become the largest single producer of gold in Europe. At present, there are seven operating gold mines in Turkey, with a further five gold deposits expected to be developed into mines in the near to medium term. The country has estimated gold resources of over 23 Moz contained within eleven major deposits.

The legal background

In 2004 new mining legislation introduced wide-ranging reforms aimed at attracting foreign investment. Through the simplification of permitting and operating procedures, repatriation of earnings and the ability of foreign companies to hold mining rights, the sector has seen significant investment over recent years. In 2010 this mining law was reviewed and amended to provide a more efficient framework for exploration and development companies operating in the country. A competitive state royalty and corporation tax regime, coupled with VAT and customs duty exemptions on gold and silver exploration, has created a positive and healthy operational environment. Government support for the mining sector is high and has been clearly demonstrated via its inclusion of incentives for foreign investors in the 2009 tax reforms.

1. Peak of Salinbafl looking north over the Ardala project, located in the Eldorado JV;
2. Lattice bladed quartz after calcite from the Akçapinar area – a new licence acquired in auction in 2012;
3. Drilling commences on a hole that will provide the bonanza grade discovery in the "Gap Zone".

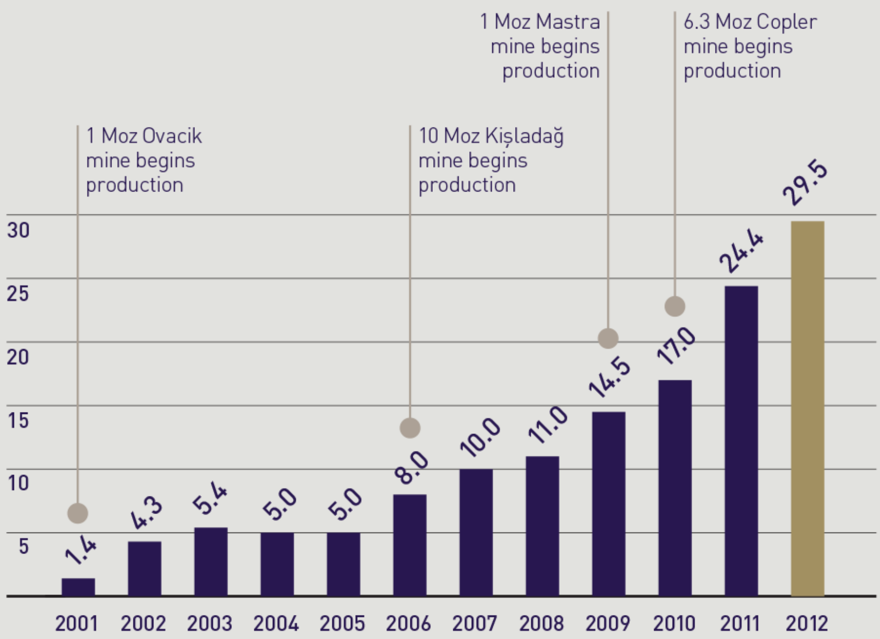
Turkish gold production (tonnes)

11

major gold deposits

23 Moz

Turkey's estimated gold resources



Operations review

Ariana's investment case remains strong with its robust project economics and its de-risked route to production. Proccea's and Eldorado Gold's funding for the Red Rabbit JV and Artvin JV respectively will enable Ariana to focus on value creation through further resource definition and project portfolio expansion across Turkey.

Ariana remains focused and dedicated to the discovery and development of new gold deposits in Turkey.

Dr. Kerim Sener
Managing Director

2012–13 Highlights

March
Positive drilling results from Salinbafl

May
Bonanza gold and silver grades at Kiziltepe

June
Acquisition of four exploration licences in western Turkey through public auction

Ariana takes over JV operator status from Eldorado Gold for the Artvin Project

July
Positive drilling results at Kiziltepe

August
Tigris Resources, 1,500m drilling programme underway in the Tunceli Province of south-eastern Turkey

October
Positive Interim Feasibility completed on the Red Rabbit Gold Project

December
Forestry permit granted for Red Rabbit Gold Project

January
Mine permitting initiated at the Red Rabbit Gold Project

Red Rabbit Gold Project

The Company is focused on the Western Anatolian Volcanic and Extensional (WAVE) province in western Turkey. This province hosts four operating gold mines and remains highly prospective for large epithermal and porphyry deposits. The Company considers the exploration and development risk in this region to be low due to excellent infrastructure and established gold mining operations.

Within the WAVE Province, the Company is focused on the 'Red Rabbit Gold Project' comprising the Kiziltepe and Tavflan sectors. Other exploration projects in western Turkey include the Ivrindi, Demirci and Kizilcukur project areas. The region surrounding these projects is named the WAVE Project Area, with our base of operations in S›nd›rg› located strategically at its core.

In joint venture the Company is actively developing the Red Rabbit Gold Project as an environmentally friendly small-footprint mine, with mining expected to be initiated at the Kiziltepe Sector in 2014.

2012 operational update

During 2012 the focus was to push the project towards the final stages of Phase 1 development. The team focused on four key areas:

Interim-Feasibility Study

In October 2012, Ariana concluded its Interim-Feasibility Study on Kiziltepe. The study confirmed that highly attractive economic fundamentals are achievable from the Kiziltepe Sector of the Red Rabbit Gold Project. The study showed an increase in mineable tonnage and as a consequence an increase in mine life to eight years. Pit optimisation was carried out using a conservative figure of US$1,058/oz Au and an economic base case established at US$1,265 oz Au. The reserve now stands at 1,147,550 tonnes corresponding to 115,460 oz of gold and 1,468,200 oz of silver at an average grade of 3.1 g/t Au and 39.8 g/t Ag respectively.

Environmental Impact Assessment

Completion of the EIA was delayed during 2012 due to changes in the permitting process at the Prime-Ministerial level. These changes were not limited to the mining industry but caused an extended delay to the forestry permitting process. The forestry permits were required to gain access to the Tailings Storage Facility ('TSF') area to complete geotechnical and hydrogeological drilling. This milestone was the final outstanding component of both the EIA and DFS.

In Q4 2012 the forestry permit was finally granted and the geotechnical drilling team was mobilised immediately. Post-period end and in January 2013 the geotechnical drilling had been completed. Initial results are favourable and support the potential for the designated area to host the tailings dam. An Environmental Project Summary Document was submitted to the Ministry of Environment and Urban Planning ('MEUP') for the Kiziltepe Sector in early February 2013. The mine permitting process involves a public consultation meeting and the receipt by MEUP of consents from several other ministries and government departments.

232,000 oz (Au Eq.)

JORC compliant resources Kiziltepe

215,000 oz (Au Eq.)

JORC compliant resources Tavflan

Exploration
Discovery
Development
Production

Advancing to production

Red Rabbit Gold Project

Location, Geology and History

Kiziltepe Sector ('Kiziltepe')

- 130km north-east of Izmir.
- 45km low-sulphidation epithermal quartz veins. Three vein fields cover approximately 72km^2.
- Acquired in 2005 from Newmont for US$400,000. Up to 2.5% royalty on future gold production.

Tavflan Sector ('Tavflan')

- 210km north-east of Izmir.
- •Acquired in 2008 from Odyssey Resources for US$500,000 and 3M shares at 5p per share.
- 4km gold mineralised jasperoid covers approximately 16km^2.
- Royalty of up to 2% on future gold production.

Red Rabbit JV Structure & Development Programme

JV agreement with Proccea Construction

- JV between Proccea and Galata Madencilik (Ariana's operating subsidiary in Turkey), through Zenit Madencilik San. ve Tic. A.S. (Zenit) an incorporated joint stock company.
- Galata and Proccea may each own a 50% shareholding in Zenit.
- US$8M committed by Proccea to earn into 50% of the project.
- To date Proccea has invested US$1.8M earning an 18% stake in Zenit.
- On plant commissioning the share of profit within Zenit will be 51% Galata and 49% Proccea.

3 Phase Development Programme

Phase 1 Feasibility and EIA

- Feasibility Study (FS), Environmental Impact Assessment (EIA), permitting, land acquisition and additional exploration at Kiziltepe.
- Management control rests with Galata.

Phase 2 Construction

- Establishment of the processing plant, tailings and waste-rock disposal areas plus mine infrastructure and facilities.
- Management control rests with Proccea.

Phase 3 Production

- Management control rests with Proccea.

Kiziltepe Interim Feasibility Study

Mine life: 8 years

Cash cost: US$678–693/oz

Production rate: 150,000 t/annum

Total Reserve: 1.1M tonnes

In-pit grade: 3.1 g/t Au; 39.8 g/t Ag

Au recovery: 85.5%

Ag recovery: 64%

Operations review
continued

8 years
Kiziltepe mine life

3.1 g/t Au
39.8 g/t Ag
Kiziltepe in-pit grade

The public and ministerial consultation meetings are a forum for individuals, organisations and government agencies to debate the mine development programme proposed by the Company. Post-period end in April 2013, a public consultation meeting was held in which there was no opposition to the proposed development by the community. Additionally, the Provincial Directorate approved the Company's proposal for the location of the mine and process plant.

According to the current schedule, EIA positive certification is expected no later than the beginning of Q4 2013, which will allow the Company the opportunity to start mine development and construction during the last quarter.

Land acquisition

Many of the required permits are now in place for the development of the Kiziltepe mine and land acquisition has been underway since 2011. Through a 99% owned subsidiary of Ariana, known as Çamyol Gayrimenkul, Madencilik, Turizm, Tarim ve Hayvancilik Ltd ("Çamyol"), approximately 234,432m^2 of land has been purchased, which corresponds to almost all of the freehold land in the planned Arzu South open-pit area.

In addition the Company purchased two parcels of land of strategic importance to the near-term development of the mine. They are located proximally to the planned road diversion around the southern boundary of the open-pit. These acquisitions, plus those from the previous year, cover the majority of the open-pit boundary limits and include sufficient room for infrastructure development around the pit walls.

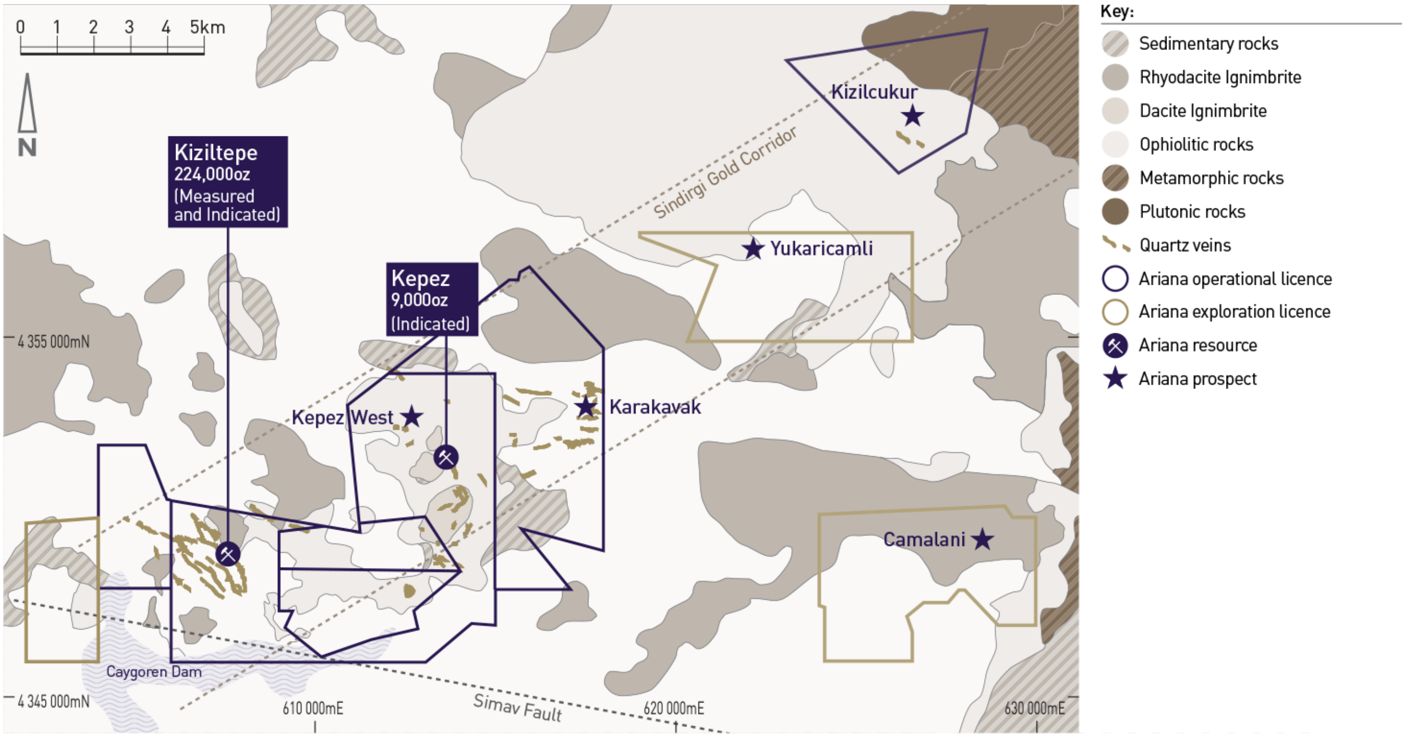
Further land acquisitions are planned during 2013. Any land acquired by Çamyol will either be sold to or leased to Zenit for the duration of the project.

Project area resource expansion

The potential to expand the project at Kiziltepe is significant as the current resource and economics are based on just 20% of the known vein system. In parallel with bringing the Red Rabbit Project into production, another key focus is to achieve better definition of the mineralised structures across the project area, which could host open-pittable resources in the future. These would provide additional mill feed for the planned plant at Kiziltepe.

A particular focus for Ariana has been the "Gap Zone", an under cover area between Arzu North and Arzu South. Ariana's drilling team was mobilised to site in late 2011 and results in Q2 of 2012 indicated potential for multiple parallel vein and breccia zones at this location. Following the discovery of the "Emel" structure in the Gap Zone, a deep drilling campaign is being planned to determine the long-term underground potential of the project.

Prospect locations within the Sındırgı Gold Corridor



In May 2012, the Company reported "bonanza grades" from the gap zone area. This exceptionally high-grade mineralisation was identified on the extension of the Derya vein. The grades were the highest ever recorded for the Kiziltepe deposit: 12.1m at 13.1 g/t Au + 187.6 g/t Ag (16.5 g/t Au equiv.) including 1m at 65.9 g/t Au + 760 g/t Ag (79.7 g/t Au equiv.)

It was also demonstrated that the Arzu North vein system extends to the south-east beneath cover rather than being truncated by an E-W structure as previously considered. In addition, results from the easternmost part of the Emel structure have highlighted an additional prospective zone extending towards the Arzu South structure.

These results continue to show that there is significant upside potential at Kiziltepe. Future resource expansion will focus on identifying mineralisation that could be accessed by underground development originating from either the bottom of the Arzu South or the Arzu North pits.

Following the discovery of the Gamze vein in 2011, the Company initiated a drilling programme in 2012 to demonstrate its potential to yield economic grades. Results from the Gamze vein system include: 2.05m at 12.23 g/t Au equiv., and 4.00m at 3.29 g/t Au equiv. It is expected that this initial drill testing will need to be followed up to determine the potential for additional resources that could complement our planned gold mining operation at Kiziltepe.

The licence containing the Kizilcukur Project was granted 10 year operational status by the General Directorate of Mining Affairs in Turkey. The Company is planning for a 1,500m drilling programme on this property to commence once forestry permits are secured in this area. This drilling programme will drill test the full strike length of the mapped veins and target the definition of a near surface resource that could in the longer term provide additional feed for the planned Kiziltepe plant. To date, 2km of mineralised quartz veins containing gold and silver have been delineated at Kizilcukur.

1. Ariana's drilling team at Salinbafl in 2012;
2. Ariana's drilling team at Kiziltepe in 2012.

JORC resource statement for Kiziltepe and Tavflan

Kiziltepe area	Tonnes (t)	Grade Au (g/t)	Grade Ag (g/t)	Au (oz)	Ag (oz)	Au equiv. (oz)
Vein Zones						
Measured	782,942	4.1	51.4	103,319	1,294,836	118,080
Indicated [1]	619,029	2.3	41.4	46,496	891,368	56,658
Measured & Indicated	1,401,971	3.3	47.0	149,815	2,186,204	174,738
Inferred	164,998	1.8	40.9	9,752	217,005	12,226
Alteration Halo [2]						
Indicated	352,819	1.6	25.8	18,430	293,007	21,770
Measured & Indicated	352,819	1.6	25.8	18,430	293,007	21,770
Inferred	76,059	1.4	33.7	3,544	82,341	4,483
Subsidiary Veins						
Inferred	115,941	1.5	51.3	5,505	191,446	7,687
Global	2,111,788	2.8	43.7	187,046	2,970,002	220,904

Tavşan area	JORC Category	Tonnage (Kt)	Grade Au (g/t)	Grade Ag (g/t)	Au (oz)	Ag (oz)	Au equiv. (oz)
Main	**Indicated**	1,700	1.6	4.2	87,460	229,582	92,051
Main & Sivri	Inferred	1,300	1.0	3.6	41,801	150,482	44,810
Satellite	Inferred	1,900	1.2	3.7	73,312	226,045	77,833
Global		4,900	1.26	3.85	202,573	606,109	214,694
Global total					**389,619**	**3,576,112**	**447,591**

1. Includes Kepez.
2. Some of the Alteration Halo material will be necessarily mined and may be processed at the end of mine life but Tetra Tech considers more studies are required to determine the nature of the mineralisation.
3. Au equivalent (oz) is the sum of the gold ounces and the gold equivalent ounces of silver based on the following equation: {(Ag g/t*Ag Recovery*Ag Price*0.032)/Au oz Price}/Au Recovery. Au recovery determined by testwork at 85.5%, Ag recovery determined by testwork at 64%.
4. Au equivalent (oz) is the sum of the gold ounces and the gold equivalent ounces of silver based on a gold/silver price ratio of 50:1.

Operations review
continued

Strategic partnership: Eldorado Gold

Reconnaissance exploration in eastern Turkey for large porphyry copper-gold and related deposits identified potential in north-eastern Turkey and resulted in the acquisition of the Artvin Project by the Company in 2007.

This project, in addition to several other licences, is now being advanced through a Joint Venture agreement with Eldorado Gold Corporation (TSX:ELD, NYSE: EGO), which is focused exclusively on exploration in the Artvin Province.

2012 operational update

Ariana has long recognised the exploration potential of the Artvin Project in north-eastern Turkey. Following the 2011 drilling campaign at Salinbafl, the results showed the presence of a mineralised body of areal extent 750m x 500m. The mineralisation remains open to the south and east, which indicates that there is considerable scope to define a substantial gold system at this locality. In addition to this, the orientation of the mineralisation and the continuity of high grades towards the Ardala porphyry at relatively shallow depth (<150m) suggest that the mineralised body could be mined by open-pit methods.

In 2012 the aim for both JV partners was to rapidly move the Artvin Project up the development curve. A joint review of the Eldorado Gold JV agreement resulted in Ariana being granted operational management of the project in 2012. Ariana, as a result had overall responsibility for exploration programme implementation whilst Eldorado Gold allocated a further US$1.77M towards advanced-stage exploration.

Preliminary geological modelling continued at Salinbafl in Q2 2012 to aid drill target definition ahead of a 1,889m drilling campaign in Q3 2012. This drilling campaign was aimed at completing in-fill drilling of the known gold mineralisation, to test a structural corridor between Ardala and Salinbafl and to delineate a maiden resource estimate for the project.

Post-period the Company announced the completion of an independent JORC mineral resource estimate on its Salinbafl and Ardala properties. 180,000 oz gold plus 820,000 oz silver in Indicated resources and 590,000 oz gold plus 3.3 Moz silver in Inferred resources were identified at Salinbafl. Based on historic data an additional 323,000 oz Inferred resource was identified at Ardala. In total 1.09 Moz of Inferred and Indicated resources have been defined at Ardala and Salinbafl. Based on the Joint Venture agreement 49% of the resource is net attributable to Ariana.

Following completion of the initial resource estimate, Ariana has transferred management of the Joint Venture back to Eldorado to enable it to focus its attention on the Red Rabbit Gold Project.

Strategic partnership

Eldorado Gold

Location and History

Ardala and Salinbafl

- 20km east of Artvin.
- Acquired according to a royalty agreement for which a 1.5% NSR is payable when the project enters production.

Geology

- The Ardala prospect is a porphyry copper-gold-molybdenum mineralised system.
- Salinbafl is an epithermal gold-silver prospect related to the nearby Ardala porphyry.

Pontides JV Structure & Exploration Programme

JV agreement with Eldorado Gold

- Joint Venture agreement with Eldorado Gold (which acquired European Goldfields in 2012) to explore and develop the Artvin Province.
- A Joint Venture exploration company, 49% owned by Ariana Resources and named Pontid Madencilik San. ve Tic. Ltd., was established in 2008.
- The Joint Venture includes a free-carry to bankable feasibility at 20% or 10%, for initial projects or new projects, respectively.

Exploration to date

- Since 2008 over US$5 M has been committed to exploration and drilling programmes at Ardala and Salinbafl.
- A total of 15,715m of diamond drilling has been completed over these properties to date.

Strategic investment: Tigris Resources

With Ariana's principal exploration and development focused around western and north-eastern Turkey, the Company believes that south-eastern Turkey is the next great frontier for gold and copper exploration in Turkey.

Our strategic investment in Tigris Resources enables us to have exposure to a region with significant potential for the discovery of world-class deposits.

2012 operational update

Following extensive target generation work over the last couple of years, Tigris commenced its first drilling programme in the Tunceli province of south-eastern Turkey. The 1,500m drilling programme was initiated at two targets: an intrusion-hosted sheeted-vein system at Kolonkaya, and a gold-rich skarn at Yalinkaya South. The best results so far from drilling at Kolonkaya are 10m at 6.4 g/t Au with surface samples up to 65.8 g/t Au.

In August 2012, Ariana invested a further C$88,000 and currently retains 11.5% of Tigris. Funds from the placing were used to complete drilling programmes at Kolonkaya and Yalinkaya and to implement a programme of ground or airborne geophysics across the Kolonkaya porphyry and other targets in the south-east.

Strategic investment

Tigris Resources

Location and History

- Several exploration licences in the Bitlis region of south-eastern Turkey.

Geology

- The prospective Bitlis Suture Zone containing porphyry Cu-Au systems, epithermal to Carlin-style deposits, skarns and volcanogenic massive sulphides.

Strategic investment

- • 3.85M shares in Tigris Resources.
- • Total acquisition cost of C$353,000.
- • 11.5% shareholder of Tigris.
- • Dr. Kerim Sener non-executive director on the Tigris Board.

Exploration to date

- • Airborne reconnaissance programme.
- • Follow-up ground-truthing and prospecting.
- • 1,500m drilling programme.

Project portfolio expansion: regional exploration

Core to the Company's long-term strategic plan is the development of its exploration portfolio through grassroots exploration, prospect definition and licence acquisition.

In line with Ariana's strategy to develop a pipeline of exploration properties in western Turkey, the Company acquired four new exploration licences during the year. These licences were identified as highly prospective following an extensive grassroots exploration programme in 2011. The licences were acquired via auction and total 4,058 hectares.

Post-period the most significant exploration development came in Q1 2013 when Newmont Ventures Limited ("Newmont") granted a 10-year non-exclusive licence on their Turkish exploration database. This database is valued at an estimated US$20M and provides Ariana with a key strategic exploration advantage in Turkey. The information within the database will be prioritised and analysed in line with the Company's strategy to identify potential additional resources within trucking distance of the planned Kiziltepe operation.

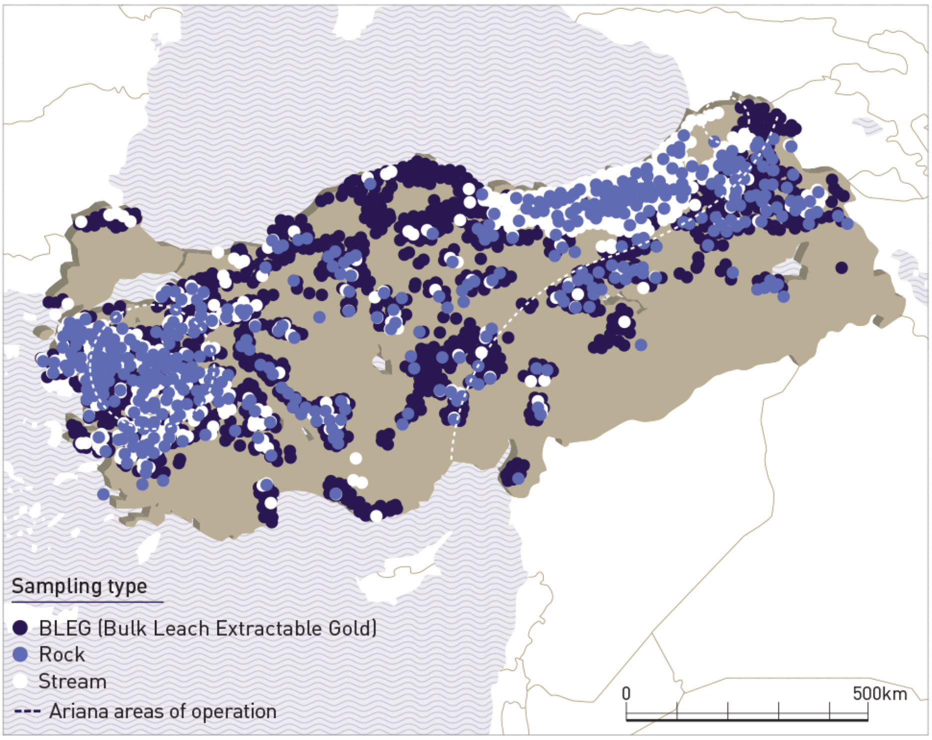
Ariana was granted access to the database for a 1% Net Smelter Return royalty and a Right of First Refusal on any discovery made by Ariana within 5km from any point data derived from the Database, excluding areas covered by existing Ariana tenements. Information included in the database comprises stream-sediment, rock-chip and soil geochemistry, drilling results, geo-imagery, aeromagnetic and gravity datasets, digital geology and structure, mineral occurrences, reports of previous prospects and projects.

Financial

Over the course of the year the Company completed a placing in July 2012 for £625,000, which was utilised for continued funding of the Proccea JV and land acquisitions. In December 2012 Ariana raised a further £580,000 the proceeds of which were used for working capital.

Post-period, in February 2013, the Company raised a further £588,500 for working capital purposes. The latter two financings were completed via a £5M Standby Equity Distribution Agreement (SEDA) secured through US-based Yorkville Advisors LLC. The SEDA is a draw-down facility which provides the Company with a means of raising additional capital as and when required through the sale of new shares in Ariana to Yorkville. To date the Company has utilised approximately £1.4M of this facility. The facility remains current until January 2014.

Newmont exploration database



Outlook

Ariana's unwavering vision of becoming Turkey's next gold producer has enabled us to make great strides in what has been a difficult, and at times a testing year for the team. Despite delays to the EIA and DFS process, borne through changes to the permitting regime in Turkey, the team has continued to de-risk the investment case for the Red Rabbit Gold Project. Proving the upside potential at Kiziltepe, through the discovery of new vein systems and drilling campaigns, has resulted in unprecedented "bonanza" gold grades, which are a great indicator for the future potential of the project.

Our joint ventures have also been going from strength to strength this year. Significantly Proccea, our Red Rabbit JV partner, is now a 2.75% shareholder in Ariana and is also solely funding the final stages of the Red Rabbit Gold Project prior to construction. Likewise in a testament to the strength of our field team, Eldorado Gold enabled Ariana to take on the management of the Artvin Project in order to rapidly push the project up the development curve. The result of this was the post period announcement of a maiden JORC resource of over 1 Moz gold at Salinbafl and Ardala. Ariana has now handed operational management back to Eldorado in order that we maintain our focus on bringing the Red Rabbit Project into production in 2014.

With everything now on track, 2013 promises to be an exciting year ahead.

Dr. Kerim Sener

Managing Director
24 May 2013

Corporate responsibility

Ariana is committed to socially responsible exploration, the development of mineral resources to benefit local communities and to positive engagement with all stakeholders.

The majority of our initiatives focus on professional development and the creation of employment within the areas in which we operate.

Ariana attaches great importance to the communities within which we work. We are grateful for their support and involvement in our exploration and development activities and we are proud of those we have helped train in valuable exploration and drilling skills.

Training and development

Local community

Unemployment or under-employment within the village communities surrounding S›nd›rg› is very high. In 2011 Ariana selected a team of six villagers who had an aptitude for working on our drilling programmes. In conjunction with experienced drillers and engineers from South Africa and Sweden (Sandvik), the team was trained so that Ariana can now operate a two shift 24 hour drilling operation. Our training programme focused on the mechanical, physical, technical and safety aspects of a drilling programme.

In 2012 our team were contracted to the Ardala-Salinbafl drilling programme in the north-east of Turkey. The team completed a drilling programme of 4,000m at an all in drilling cost of US$95 per metre NQ.

Ariana also rents machinery from local communities to support our drilling programmes and provides opportunities for local businesses. Local landowners are fairly compensated for disruption to their land and all disrupted sites are properly rehabilitated after our work programmes have been completed.

Certain excess materials from our exploration programmes are donated to local villages as a part of our community support effort.

“From its inception Ariana has valued the extensive support it has received from the local community. We are proud to be part of the continuing development of opportunities for the S›nd›rg› community.”

Dr. Kerim Sener, Managing Director,
Ariana Resources PLC

Undergraduate and post graduate

Ariana is proud of its long track-record in the development of promising geologists in the early stages of their careers. Realising that investing in the future of today’s graduates will lead to tomorrow’s exploration leaders, Ariana has typically invited two British and two Turkish undergraduate students to take summer internships with our exploration team in S›nd›rg›.

Ariana also supports postgraduate development. A PhD thesis on the gold metallogenesis of western Turkey was successfully defended in 2012 at Cardiff University. In Turkey, Ariana’s research ties with Dokuz Eylül University in Izmir have enabled Ariana to fill junior exploration positions with promising young graduates. The Company has also supported several MSc students and presented at international conferences.

Local government involvement

Prior to the commencement of any major programme of work, we consult extensively with local stakeholders. Ariana ensures they are kept informed of our activities at every stage to ensure awareness of plans and engagement in our development. Official bodies, such as Local Government and the Mayoral Office, the Gendarmerie and the Fire and Forestry departments, are consulted on key aspects of our work programmes before they are initiated. Local knowledge and a proactive approach have enabled Ariana to develop a positive relationship with the local community.

Sındırgı International Yağcıbedir Carpet, Culture and Art Festival

Each year S›nd›rg› hosts an international arts and culture festival. The festival attracts participants from Europe and Asia and promotes traditional arts and culture. S›nd›rg› rightly takes pride in its hand-woven Ya€c›bedir Turkish carpets, which have been produced in the area since medieval times. Through promotional events such as this, S›nd›rg› carpet weavers and local crafts people are able to maintain their livelihoods and secure the future of these priceless skills for the next generation. Ariana has been a sponsor of this event since 2006.

1. The Ariana drilling team;
2. Ariana drilling team following record breaking drilling shift;
3. Traditional carpets from S›nd›rg› in western Turkey;
4. Ariana sponsors the S›nd›rg› International Ya€c›bedir Carpet, Culture and Art Festival.

Directors

Michael Spriggs

BA (Hons) MA MSc
Chairman, aged 70

Michael has 41 years' mining sector experience having graduated from Oxford University with a BA (Hons) in 1964 and an MA in 1968.

He obtained an MSc in Geology and Mineral Sciences from the University of Leicester in 1969. He worked for a number of major mining groups, including Anglo American, Falconbridge and Rio Tinto. Michael spent 12 years with the mining team of the UK investment bank SG Warburg (now UBS) from 1986–97. He was appointed Head of the South African Mining Equities Research Team and was subsequently appointed Director of Corporate Finance. Between 1997 and 2004 he was a partner at College Hill, the UK public relations consultancy, as head of the Mining Team.

He is a past Deputy Chairman of the Association of UK Mining Analysts, a Member of The Institute of Materials, Minerals and Mining and is a Chartered Engineer.

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

Kerim Sener

BSc (Hons) MSc DIC PhD
Managing Director, aged 37

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, during which he also worked in gold exploration in the Northern Territory and on a variety of exploration consultancy projects in Western Australia. He has also been a director of Australian and Canadian public gold exploration companies and has been directly responsible for the identification of over 3.25 Moz in gold resources within Eastern Europe since 2007. Since 2012 he has been based in Perth, Australia. He is a director of Tigris Resources and Zenit Madencilik.

He 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.

Michael de Villiers

B. Comm. Professional Accountant (SA) MIOD
Director and Company Secretary, aged 50

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

He is CFO of Eurasia Mining plc and was previously a non-executive director of AIM-listed Norseman Gold plc, the Finance Director of Mercator Gold (now ECR Minerals plc), Oxus Gold plc and Navan Mining plc.

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

William Payne

BA (Hons) ACA
Non-Executive Director and Chief Financial Officer, aged 48

William studied Accountancy at Exeter University before training and qualifying as a Chartered Accountant with KPMG in London. He left after five years there to become a partner in W H Payne and Co. in 1991. In 2003 he became a partner in top twenty accountancy practice Wilkins Kennedy at their London office. He has a wide diversity of clients, and roles range 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 quoted on ISDX.

William serves on the Company's Remuneration Committee.

Senior staff

Erhan Şener
BA MA
General Manager, aged 69

Erhan is a Turkish national and has 42 years' experience in management in Turkey and in the United Kingdom. Erhan graduated with a degree in Business and Finance from the Faculty of Economics at the University of Istanbul, and then completed a Master's degree on Western European Integration at Reading University in the United Kingdom. Erhan has worked as a consultant for, or in management of, a number of international and Turkish companies including Blue Circle Cement (Consultant), Mardin Cement and Oyak Insurance (General Manager). Erhan is based in the cities of Ankara and Izmir.

Soner Koldaş
BSc MSc
Technical Director, aged 44

Soner is both a Turkish and South African national and has 23 years' experience in senior management and mining engineering. Soner graduated with a first-class BSc in Mining and Mineral Process Engineering at Dokuz Eylul University following which he completed an MSc in Rock Mechanics and Mining Geology at the University of the Witwatersrand in South Africa. He has worked for various international mining, exploration and consulting companies including Goldfields SA, Sandvik Mining and Construction, Demir Export and more recently as Technical Director for Manhattan Corporation, with responsibility for the design, planning and execution of mine and process plant projects in Turkey, CIS, Africa and Middle East. Soner is responsible for our mining and exploration operations and is based in Ankara. He is Vice-chairman of Zenit Madencilik.

Fatma Yildiz
BSc
Tenement Manager, aged 30

Fatma has six years' experience in the mining sector in Turkey. She graduated in Mining Engineering from Cukurova University in 2007. She spent six years with a number of consulting engineering companies managing mining licences, governmental permits and project management. Fatma is now responsible for managing the administrative and legal requirements of our exploration/operational licences, applications and formal reporting for licences, in addition to organizing environmental/safety and other operational permits for our projects and operations.

Fatma is a member of the Chamber of Mining Engineers of Turkey, holder of a technical inspector certificate and occupational health and safety certificate. She is based in Ankara.

Directors
M J Spriggs
A K Sener
M J de Villiers
W J B Payne

Secretary
M J de Villiers

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Registered number
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Report of the Directors

For the year ended 31 December 2012

The Directors present their report with the audited financial statements of the Company and the Group for the year ended 31 December 2012.

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 in Turkey.

Review of business

The results for the year and financial position of the Company and the Group are as shown in the annexed financial statements. The financial statements for the year recorded a loss of £1,182,000 compared to a loss for the prior year of £1,347,000. The Group's total assets amounted to £7,177,000 at the year end, with intangible exploration assets, land and other non current asset acquisitions increasing in aggregate by £789,000 over the prior period. This increase has been funded mainly through equity share issues, together with shorter term debt, as set out in the financial statements.

A review of the Group's activities during the year is contained within the Chairman's statement and Operations review on pages 04 and 05 and 08 to 13.

Key performance indicators

The Group is transitioning from solely gold exploration to development and ultimately production. The key project is the Red Rabbit Project in western Turkey which is at pre-feasibility stage. As no revenue and hence profits will arise until the Group starts producing, the key performance indicators ("KPIs") for the Group will be linked to project milestones and the increase in overall enterprise value. The main financial KPI is shareholder return.

The Board monitors relevant KPIs on a regular basis as listed below:

Financial KPIs

- Shareholder return – the performance of the share price and market capitalisation versus its peer group;
- Exploration expenditure – targeting our exploration expenditure to enhance as quickly as possible our intangible exploration assets; and
- Cash flow forecasts – regular monitoring of cash forecasts to ensure exploration targets are met and general working capital levels are maintained.

Non-financial KPIs

- Operational success – measured in terms of increasing the JORC compliant resources and progressing the Red Rabbit Project through the various stages of development and production;
- Acquire and discover new exploration properties through our ongoing exploration programme; and
- Environmental, health and safety – ensuring that all efforts are made to minimise adverse personal and corporate outcomes, in terms of monitoring best practice for drilling and exploration activities generally.

Capital management

The Group's objectives when managing capital is to safeguard the Group's ability to continue as a going concern and have access to adequate funding for its exploration and development projects, so that it can provide returns for shareholders and benefits for other stakeholders. Further details are provided in Note 24 to the financial statements.

Risk management

The Directors have identified the following risks in relation to the Group's affairs:

Exploration risk

Inherent risks associated with the failure to discover or acquire 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 western Turkey.

Political/in-country 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 as it approaches production.

Credit risk and Treasury management

Borrowings outstanding from the Company or its subsidiaries. The Company has borrowings outstanding from its subsidiaries, the ultimate realisation of which depends on the successful exploration and realisation of the Group's intangible exploration assets. This in turn is subject to the availability of finance to maintain the ongoing operations of the business. The Group manages its financial risk to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Liquidity risk

This is the risk of running out of working and investment capital. The Group relies on the issue of share capital and joint venture agreements to finance its activities. The Group maintains tight financial and budgetary control to keep its operations cost effective. Although it has been successful in the past, there can be no assurance that adequate funding will be available when required to finance the Group's activities. However, the Directors have a reasonable expectation that they will secure additional funding as and when required.

Foreign currency risk

Sensitivity to foreign currency risk due to exposure to 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 take action where appropriate.

Further details of the Group's financial risk management objectives are set out in Note 25 to the financial statements.

Directors

The Directors during the year under review were:

M J Spriggs
A K Sener
M J de Villiers
W J B Payne

The beneficial interests of the Directors holding office either directly or indirectly (including interests held by spouses, minor children or associated parties) on 31 December 2012 in the ordinary issued share capital of the Company were as follows:

	2012	2011
M J Spriggs	783,072	783,072
A K Sener	5,440,000	4,350,000
M J de Villiers	2,599,142	2,349,142
W J B Payne	702,632	452,632
Total	**9,524,846**	7,934,846

Share options & warrants

At the end of the year, the Directors of the Company held share options and warrants, as indicated below. No share options were exercised or lapsed during the year.

Director	2012	2011
M J Spriggs	2,212,534	2,212,534
A K Sener	5,994,463	5,994,463
M J de Villiers	3,760,334	3,760,334
W J B Payne	1,500,000	1,500,000
Total	**13,467,331**	13,467,331

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 share holders 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.

Between January and February 2012 the Company issued 9,657,175 shares in connection with the exercise of warrants for a total consideration of £458,715.

Between June and December 2012 the Company issued 60,023,317 shares for a total consideration of £697,300 under the Standby Equity Distribution Agreement (SEDA) established in 2011.

On 30 July 2012 the Company issued 41,666,668 new ordinary shares for a total consideration of £625,000 for working capital purposes.

Since the year end a further 46,429,980 shares have been issued for a total consideration of £588,500.

The associated issue costs of these share issues have been charged against the share premium account.

On 22 March 2013 the Company agreed to a loan from YA Global Master SPV of US$250,000, at commencement potentially convertible into a maximum of 7,900,766 shares at 2.1095 pence over the period of the loan, being to 18 December 2013.

On 19 April 2013 the Company granted a five year warrant to Loeb Aron & Company Ltd to subscribe for five million shares at 2 pence.

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 £1,000,000.

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 £1,000,000.

The authority mentioned above will, if passed, expire at the earlier of the Annual General Meeting or the date being 12 months from the passing of the resolutions.

Report of the Directors

For the year ended 31 December 2012

Continued

Sub-division

Under the Companies Act 2006 a company is unable to issue shares at a subscription price which is less than their par value. The par value of the existing Ordinary Shares ("Existing Ordinary Share") is 1 pence, and the current market price as at close of trading on 20 May 2013 (being the last practicable date prior to publication of this document) was 1.05 pence. This, together with market conditions generally, makes it difficult for the Company to raise new equity capital at a minimum subscription price per share of 1 pence per share or more.

It is therefore proposed that the Existing Ordinary Shares will be 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 will have a nominal value of 0.1 pence and the Company will therefore be better placed to effect transactions or to raise money in future fundraisings.

The percentage of New Ordinary Shares held by each Shareholder following the sub division will be the same as the percentage of Existing Ordinary Shares held by him on the Record Date, but this proposal will allow future share issues to be proposed, assuming that the share price of the Company does not fall below the new nominal value.

In the event that the sub division is approved it will be necessary to amend the Existing Articles of Association to include the rights attaching to the Deferred Shares, details of which are set out in Resolution 6.2. The proposed amendments to the Articles are set out in Resolution 6.3. The Deferred Shares will effectively have no value.

Substantial share interests

The Company had been notified of the following interests in Shares held on 9 May 2013.

Shareholder	Ordinary shares	% of Issued Share Capital
Beaufort Nominees Ltd	33,722,259	8.08
Eldorado Gold Corporation PLC	28,271,016	6.77
Mr Bruce Rowan	24,400,000	5.85
TD Direct Investing Nominees Ltd	24,355,797	5.83
Harewood Nominees Ltd	23,967,244	5.74
Barclayshare Nominees Ltd	22,778,867	5.46
Hargreaves Lansdown Ltd	22,343,839	5.36
SVS Ltd	20,910,684	5.01
Starvest PLC	19,666,526	4.71
Share Nominees Limited	13,613,748	3.26

Dividends

No dividends will be distributed for the year ended 31 December 2012 and the retained loss 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 2012 were 30 days (2011: 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
Details of post year end events are set out in Note 23 to the financial statements.

Statement of Directors' Responsibilities
The directors are responsible for preparing the Annual Report and the 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 they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

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 and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom 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 chairman of the Audit Committee is Michael de Villiers. 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.

The membership of the Audit Committee comprises two Directors, Michael de Villiers and Michael Spriggs. The external auditors have direct access to the members of the committee, without presence of the Executive Directors, for independent discussions.

Report of the Directors

For the year ended 31 December 2012
continued

Remuneration Committee

The Chairman of the Remuneration Committee is Michael Spriggs. The committee comprises three Directors Michael de Villiers, William Payne and Michael Spriggs. 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 which may include the issue of options in line with any new share issue.

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

Auditor

Our auditor, KPMG Audit Plc is currently in the process of transferring business across to KPMG LLP. The Board has therefore decided to put KPMG LLP forward to be appointed as auditors and a resolution concerning their appointment will be put to the forthcoming AGM of the Company.

By order of the Board

M J de Villiers
Company Secretary
24 May 2013

Independent auditor's report to the members of Ariana Resources PLC

We have audited the financial statements of Ariana Resources PLC for the year ended 31 December 2012 set out on pages 18 to 43. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 21, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

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 2012 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with 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.

Emphasis of matter – going concern

In forming our opinion on financial statements, which is not modified, we have considered the adequacy of the disclosures in Note 1 to the financial statements concerning the Group and Company's ability to continue as a going concern; in particular the need to raise additional funding in order to continue in operational existence for the foreseeable future. These conditions, together with the other matters described in Note 1 indicate the existence of a significant uncertainty that may cast significant doubt upon the Group's and Company's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the Group and Company were unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

Adrian Wilcox
Senior Statutory Auditor
for and on behalf of KPMG Audit Plc
Statutory Auditor, Chartered Accountants
London
24 May 2013

Consolidated statement of comprehensive income

For the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Administrative costs		(769)	(1,291)
General exploration expenditure		(315)	(181)
Other income	4	4	74
Operating loss	5	**(1,080)**	(1,398)
Finance costs	6	(111)	–
Investment income		9	51
Loss before tax	7	**(1,182)**	(1,347)
Taxation	8	–	–
Loss for the year		**(1,182)**	(1,347)
Other comprehensive income			
Exchange differences on translating foreign operations		29	(239)
Other comprehensive income for the year net of tax		**29**	(239)
Total comprehensive income for the year		**(1,153)**	(1,586)
Loss for the year attributable to owners of the parent		**(1,182)**	(1,347)
Total comprehensive income attributable to owners of the parent		**(1,153)**	(1,586)
Loss per share (pence):			
Basic and diluted	10	(0.40)	(0.54)

Continuing operations

None of the Group's activities were acquired or 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 2012

	Note	2012 £'000	2011 £'000
Assets			
Non-current assets			
Trade and other receivables	14	75	12
Available for sale investments	13a	226	169
Intangible exploration assets	11	5,320	4,627
Land, property, plant and equipment	12	407	311
Total non-current assets		**6,028**	5,119
Current assets			
Trade and other receivables	15	894	340
Cash and cash equivalents		255	908
Total current assets		**1,149**	1,248
Total assets		**7,177**	6,367
Equity			
Called up share capital	17	3,710	2,597
Share premium		7,004	6,481
Other reserves		720	720
Share based payments reserve		578	578
Translation reserve		(147)	(176)
Retained earnings		(5,432)	(4,250)
Total equity attributable to equity holders of the parent		**6,433**	5,950
Liabilities			
Current liabilities			
Trade and other payables	16a	506	417
Interest bearing borrowings	16b	238	–
Total current liabilities		**744**	417
Total equity and liabilities		**7,177**	6,367

The financial statements were approved by the Board of Directors and authorised for issue on 24 May 2013. They were signed on its behalf by:

M J Spriggs
Chairman

A K Sener
Director

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

Company statement of financial position

For the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Assets			
Non-current assets			
Available for sale investments	13a	226	169
Investments in group undertakings	13b	274	274
Total non-current assets		**500**	443
Current assets			
Trade and other receivables	15	7,187	6,041
Cash and cash equivalents		–	–
Total current assets		**7,187**	6,041
Total assets		**7,687**	6,484
Equity			
Called up share capital	17	3,710	2,597
Share premium		7,004	6,481
Share based payments reserve		578	578
Retained earnings		(3,864)	(3,217)
Total equity		**7,428**	6,439
Liabilities			
Current liabilities			
Trade and other payables	16a	21	45
Interest bearing borrowings	16b	238	–
Total current liabilities		**259**	45
Total equity and liabilities		**7,687**	6,484

The financial statements were approved by the Board of Directors and authorised for issue on 24 May 2013. They were signed on its behalf by:

M J Spriggs
Chairman

A K Sener
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 2012

	Share capital £'000	Share premium £'000	Other reserves £'000	Share options £'000	Translation reserve £'000	Retained earnings £'000	Total attributable to equity holders of parent £'000
Changes in equity to 31 December 2011							
Balance at 1 January 2011	2,220	5,167	720	100	63	(2,903)	5,367
Loss for the year	–	–	–	–	–	(1,347)	(1,347)
Other comprehensive income – exchange differences on translating foreign operations	–	–	–	–	(239)	–	(239)
Total comprehensive income	–	–	–	–	(239)	(1,347)	(1,586)
Share based payments	–	–	–	478	–	–	478
Issue of share capital	377	1,386	–	–	–	–	1,763
Share issue costs	–	(72)	–	–	–	–	(72)
Transactions with owners	377	1,314	–	478	–	–	2,169
Balance at 31 December 2011	2,597	6,481	720	578	(176)	(4,250)	5,950
Changes in equity to 31 December 2012							
Loss for the year	–	–	–	–	–	(1,182)	(1,182)
Other comprehensive income – exchange differences on translating foreign operations	–	–	–	–	29	–	29
Total comprehensive income	**–**	**–**	**–**	**–**	**29**	**(1,182)**	**(1,153)**
Issue of share capital	1,113	667	–	–	–	–	1,780
Share issue costs	–	(144)	–	–	–	–	(144)
Transactions with owners	1,113	523	–	–	–	–	1,636
Balance at 31 December 2012	**3,710**	**7,004**	**720**	**578**	**(147)**	**(5,432)**	**6,433**

The accompanying notes form part of these financial statements.

Company statement of changes in equity

For the year ended 31 December 2012

	Share capital £'000	Share premium £'000	Share options £'000	Retained earnings £'000	Total £'000
Changes in equity to 31 December 2011					
Balance at 1 January 2011	2,220	5,167	100	(2,226)	5,261
Loss for the year	–	–	–	(991)	(991)
Total comprehensive income	–	–	–	(991)	(991)
Share based payments	–	–	478	–	478
Issue of share capital	377	1,386	–	–	1,763
Share issue costs	–	(72)	–	–	(72)
Transactions with owners	377	1,314	478	–	2,169
Balance at 31 December 2011	2,597	6,481	578	(3,217)	6,439
Changes in equity to 31 December 2012					
Loss for the year	–	–	–	(647)	(647)
Total comprehensive income	**–**	**–**	**–**	**(647)**	**(647)**
Issue of share capital	1,113	667	–	–	1,780
Share issue costs	–	(144)	–	–	(144)
Transactions with owners	1,113	523	–	–	1,636
Balance at 31 December 2012	**3,710**	**7,004**	**578**	**(3,864)**	**7,428**

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Cash flows from operating activities			
Cash generated from operations	18a	(860)	(626)
Net cash outflow from operations		**(860)**	(626)
Cash flows from investing activities			
Purchase of investments		(57)	(98)
Proceeds from sale of share of Zenit		–	164
Proceeds from sale of investments		–	135
Purchase of land, property, plant and equipment		(132)	(179)
Payments for intangible assets (excluding capitalised depreciation)		(891)	(960)
Investment income		9	51
Net cash used in investing activities		**(1,071)**	(887)
Cash flows from financing activities			
Proceeds from issue of share capital		1,154	1,691
Proceeds from borrowings		1,062	–
Repayment of borrowings		(804)	–
Interest and financing fees		(134)	–
Net cash proceeds from financing activities		**1,278**	1,691
Net increase/(decrease) in cash and cash equivalents		(653)	178
Cash and cash equivalents at beginning of year		908	730
Cash and cash equivalents at end of year		**255**	908

The accompanying notes form part of these financial statements.

Company statement of cash flows

For the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Cash flows from operating activities			
Cash generated from operations	18b	–	(50)
Net cash outflow from operations		–	(50)
Cash flows from investing activities			
Purchase of investments		–	(97)
Proceeds from sale of investments		–	135
Net cash used in investing activities		–	38
Net (decrease)/increase in cash and cash equivalents		–	(12)
Cash and cash equivalents at beginning of year		–	12
Cash and cash equivalents at end of year		–	–

All bank transactions are undertaken by Ariana Exploration & Development Limited on behalf of Ariana Resources PLC.

The accompanying notes form part of these financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2012

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 (the "Group") are related to the exploration for and development of gold and other minerals in Turkey.

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

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 2012.

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.

Going concern

These financial statements have also been prepared on the going concern basis. As an exploration company the Directors are mindful that there is an ongoing need to monitor overheads and costs associated with delivering the exploration programme, and raise additional working capital on an ad hoc basis to support the Group's activities.

In January 2011 the Group arranged a £5M Standby Equity Distribution Agreement ("SEDA") with Yorkville Advisers LLC. This entitles the Group to draw down funds in exchange for the issue of shares at a price based on the Company's market price over the previous 10 day period. During the year the Company issued 60,023,317 shares under the SEDA for a consideration of £697,300. Since the year end the Company has raised £588,500 by issuing 46,429,480 shares under the SEDA. The remaining facility available under the SEDA amounts to approximately £3.6M. During 2012 the Company also placed 41,666,668 shares raising £625,000. In addition in January 2012, the Group also finalised a US$2M loan facility, to assist with the development of ongoing projects, of which US$1.75M was drawn down during the year. At 31 December 2012 an amount of £0.24M remains outstanding and repayable within 12 months (see note 16b).

At the year end the Group had cash and cash equivalents amounting to £255,000, and funds of £482,000 due from the December 2012 share issue, the proceeds of which had not yet been received by the year end (see note 15). In March 2013 the Company drew down the remaining US$250,000 in accordance with the terms of the aforementioned US$2M loan facility.

The Directors have prepared cash flow forecasts for the Group for the period to 30 June 2014 based on their assessment of the prospects of the Group's operations. These cash flow forecasts include the normal operating costs for the Group over the period together with the necessary and specific expenditure to meet the minimum licence expenditure requirements, together with the repayments of the aforementioned loan agreement. These forecasts indicate that the Group will require additional funds in the foreseeable future.

Despite challenging capital markets, the Company and Group have been successful historically in raising equity finance and consider that they have reasonable grounds for believing these past successes will, if required, continue. The Company is presenting a number of resolutions at the forthcoming AGM which will allow the Company to issue further equity through its SEDA facility and this combined with alternative strategies such as farm-in arrangements on certain of our exploration licences and/or possible investment sales which the Directors believe will meet the forecasted funding needs of the business.

The Directors acknowledge that the circumstances detailed above represent a significant uncertainty that may casts significant doubt upon the Group and Company's ability to continue as a going concern and that therefore the Group and Company may be unable to realise their assets and discharge their liabilities in the normal course of business. Nevertheless, having given consideration to the uncertainties described above, the Directors have a reasonable expectation that the resolutions will be passed at the AGM and the pursuit of the alternative strategies will allow the Group to raise 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 that basis they believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments in the event the going concern assumption is not appropriate.

New Accounting Standards and Interpretations

At the date of authorisation of these Group Financial Statements and the Parent Company Financial Statements, the following Standards, amendments and interpretations were endorsed by the EU but not yet effective:

- Amendments to IAS 1 Presentation of Items of Other Comprehensive Income (effective from 1 July 2012)
- Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (effective from 1 January 2013)
- Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
- IFRS 10 Consolidated Financial Statements *

- IFRS 11 Joint Arrangements *
- IFRS 12 Disclosure of Interests in Other Entities *
- IFRS 13 Fair Value Measurement (effective from 1 January 2013)
- IAS 27 Separate Financial Statements *
- IAS 28 Investments in Associates and Joint Ventures *

* Effective from 1 January 2013, but EU entities may apply these standards and amendments at the latest from the commencement date of their first financial year starting on or after 1 January 2014.

Some of these Standards and Amendments have only recently been endorsed by the EU; the Directors have not yet fully assessed the impact on the Group's investments. The Group intends to adopt these standards when they become effective.

IFRS 10 is a new standard which establishes principles for the presentation and preparation of consolidated financial statements. As a result of its publication, the Directors will be required to consider the application of the revised definition of control to determine whether additional entities will need to be consolidated and whether consolidation is still appropriate for those that currently are.

IFRS 11 is a new standard which establishes accounting principles in relation to joint arrangements. Joint control involves the contractual agreed sharing of control and arrangements subject to joint control are classified as either a joint venture (representing a share of net assets and equity accounted) or a joint operation (representing rights to assets and obligations for liabilities, accounted for accordingly). The Group has considered the requirements of IFRS 11 and believe that no change will arise on adoption as the Group has direct rights to assets and obligations for liabilities for the joint ventures and will therefore continue to recognise its share of the assets and liabilities.

Significant accounting policies

Basis of consolidation

The consolidated financial statements comprise the financial statements of Ariana Resources PLC and its subsidiaries for the year ended 31 December 2012.

Subsidiaries are all entities over which the Group has power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. 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.

Investments in companies where the Group has joint financial and operational control and that meet the conditions for proportional consolidation are consolidated into these accounts by taking the appropriate proportion of that company's results and assets and liabilities into the consolidated financial statements.

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.

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 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 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 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 accrual basis.

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:

Notes to the consolidated financial statements

For the year ended 31 December 2012
Continued

1. General information continued

- 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 investments

classified as available for sale are recognised in the consolidated statement of comprehensive income when they are sold or when the investment 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.

Inventory
Gold recovered from trial mining and held for resale is included in deferred exploration expenditure at its net realisable value. The Directors consider this valuation to be appropriate as the expense of ascertaining the apportioned cost of gold extracted from the associated trial mining would outweigh any benefits to be obtained. Gains or losses resulting in changes to market price at time of disposal are taken to the comprehensive statement of income.

Financial instruments
Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents
Cash and cash equivalents in the statement of financial position comprise cash on hand and demand deposits together with other short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

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

Equity instruments
Equity instruments issued by the Company are recorded as the proceeds received, net of direct issue costs.

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.

Taxation
Current income tax assets and liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at 31 December 2012. 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 2012. 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.

Notes to the consolidated financial statements

For the year ended 31 December 2012

continued

1. General information continued

Pensions

The Group pays contributions to the personal pension schemes of some employees. These contributions are charged to the statement of comprehensive income in the year to which it relates.

Accounting estimates and judgements

The Group makes estimates and judgements regarding the future. Estimates and judgements are continually evaluated based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may deviate from these estimates and assumptions. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows:

- Intangible exploration assets
  The Group determines that exploration costs are capitalised at the point the Group has a valid exploration licence. The recovery of the cost of the Group's exploration projects is reviewed in the light of future production estimates based upon ongoing geological studies. Over the longer term the actual mineable resources achieved may vary significantly from the current estimates.
- Impairment of assets
  The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.
- Share-based payments
  In order to calculate the charge for share-based payments as required by IFRS 2, the Group makes estimates principally relating to assumptions used in its option-pricing model as set out in Note 17.

2. Staff costs

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Wages and salaries	340	223	208	158
Social security costs	22	13	4	5
Share based payments	–	478	–	421
Pension costs	9	8	9	8
	371	722	221	592

Total staff costs, including those capitalised within intangible assets, amounts to £577,000 (2011: £481,000).The average monthly number of employees (including Executive Directors) during the year was as follows:

	Group		Company	
	2012 Number	2011 Number	**2012 Number**	2011 Number
Exploration activities	20	12	2	2
Administration	6	7	3	3
	26	19	5	5

3. Directors' emoluments

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Basic salary and fees	241	201	241	201
Pension contributions	9	8	9	8
Share based payments	–	421	–	421
	250	630	250	630

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 pages 19 and 20.

	Year	Salary and fees	Pension	Share based payments	Total
Michael Spriggs	2012	20	–	–	20
	2011	20	–	57	77
Kerim Sener	2012	95	9	–	104
	2011	87	8	191	286
Michael de Villiers	2012	90	–	–	90
	2011	58	–	116	174
William Payne	2012	36	–	–	36
	2011	36	–	57	93

William Payne's services are provided by a firm of Chartered Accountants, further details of which are set out in Note 22.

4. Other income

Other income represents:

	2012 £'000	2011 £'000
Profit on sale of share of Zenit	–	46
Consultancy and other income	4	28
	4	74

The Group recognised a profit on the sale of a share of Zenit during prior periods.

In accordance with the Zenit Shareholders' Agreement, Proccea is earning a 50% interest through spending US$8M during the feasibility, permitting and construction stages of the Red Rabbit Project.

In the current year, no further contribution has been received from Proccea and accordingly the Group's interest in Zenit's net assets remains unchanged.

5. Operating loss

The operating loss is stated after charging:

	2012 £'000	2011 £'000
Depreciation – owned assets	1	1
Profit on sale of investments	–	(79)
Operating lease – office rental	25	2
Net foreign exchange (profits)/losses	33	61
Fees payable to the Company's auditor for the audit of the Company's annual accounts	25	25
Fees payable to the Company's auditor for other services:		
– The audit of the Company's subsidiaries	15	15

6. Finance cost

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Interest on loan facility	39	–	39	–
Loan facility fees	72	–	72	–
	111	–	111	–

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 in Turkey.

	2012			2011		
	Mining	Other reconciling items	Group	Mining	Other reconciling items	Group
Administrative costs	–	(769)	(769)	–	(1,291)	(1,291)
General exploration expenditure	(315)	–	(315)	(181)	–	(181)
Other income	4	–	4	74	–	74
Finance costs	–	(111)	(111)	–	–	–
Investment income	–	9	9	–	51	51
Tax	–	–	–	–	–	–
Loss after tax	**(311)**	**(871)**	**(1,182)**	(107)	(1,240)	(1,347)
Assets						
Segment assets	6,196	981	7,177	5,291	1,076	6,367
Liabilities						
Segment liabilities	(410)	(334)	(744)	(217)	(200)	(417)
Additions to segment assets						
Intangible assets	893	–	893	960	–	960
Property plant & equipment	132	–	132	177	2	179
Depreciation	(35)	(1)	(36)	(36)	(1)	(37)

Other income includes consultancy and licence fees.

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

Geographical segments

All of the Group's mining assets and liabilities are located in Turkey.

	2012				2011			
	Turkey	United Kingdom	British Virgin Islands	Group	Turkey	United Kingdom	British Virgin Islands	Group
Carrying amount of segment non-current assets	5,801	227	–	6,028	4,949	170	–	5,119

Notes to the consolidated financial statements

For the year ended 31 December 2012

Continued

8. Taxation

	2012 £'000	2011 £'000
Current tax expense in respect of the current year	–	–

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

	2012 £'000	2011 £'000
Loss before tax	(1,182)	(1,347)
Loss multiplied by the standard rate of corporation tax in the UK of 24.5% (2011: 26%)	(289)	(350)
Disallowable expenses	3	172
Losses to carry forward	269	163
Effect of different tax rates and laws of subsidiaries operating in other jurisdictions	17	15
Current tax charge	–	–

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 £3,768,000 (2011: £3,010,000). Turkish tax losses carried forward at the year end amounted to £616,000 (2011: £237,000). These losses can be carried forward and used against future taxable income rates of 23% and 20% respectively, although the Turkish losses expire after five years.

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 £647,000 (2011: £991,000).

10. Loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary shareholders of £1,182,000 (2011: £1,347,000) divided by the weighted average number of shares issued during the year being 287,349,584 shares (2011: 249,719,107) in issue. There is no dilutive effect of share options or warrants on the basic loss per share.

11. Intangible exploration assets

Group	Deferred exploration expenditure £'000
Cost	
At 1 January 2011	3,840
Additions and capitalised depreciation	999
Disposals	(118)
Exchange movements	(94)
At 31 December 2011	4,627
Additions and capitalised depreciation	928
Exchange movements	15
Disposals	(250)
At 31 December 2012	5,320
Net book value	
At 1 January 2011	3,840
At 31 December 2011	4,627
At 31 December 2012	5,320

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

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.

12. Land, property, plant & equipment

Group	Land £'000	Computer equipment £'000	Drilling equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	Totals £'000
Cost						
At 1 January 2011	12	28	233	8	41	322
Additions	122	7	47	3	–	179
Exchange movements	(1)	–	(5)	–	–	(6)
At 31 December 2011	133	35	275	11	41	495
Reallocation	–	44	(44)	–	–	–
Additions	123	8	–	1	–	132
Exchange movements	(1)	–	–	(2)	–	(3)
At 31 December 2012	255	87	231	10	41	624
Depreciation						
At 1 January 2011	–	17	82	7	40	146
Charge	–	7	29	1	–	37
Exchange movements	–	–	1	–	–	1
At 31 December 2011	–	24	112	8	40	184
Charge	–	13	21	1	1	36
Exchange movements	–	2	(2)	(3)	–	(3)
At 31 December 2012	–	39	131	6	41	217
Net book value						
At 1 January 2011	12	11	151	1	1	176
At 31 December 2011	133	11	163	3	1	311
At 31 December 2012	255	48	100	4	–	407

The Group's land, property, plant and equipment are free from any mortgage or charge.

None of the Group's land, property, plant and equipment is owned by the Company.

13a. Available for sale investments

Company	Non-current £'000	Current £'000	Total £'000
At 1 January 2012	169	–	169
Additions in the year	57	–	57
At 31 December 2012	226	–	226
Net book value			
At 31 December 2012	226	–	226
At 31 December 2011	169	–	169

The non-current available for sale investment represents the Group's investment in Tigris Resources Limited ("Tigris"), an unlisted company registered in Jersey involved in Turkish gold exploration. The investment is held at cost as Tigris is an unlisted entity and as such the fair value of the shares held cannot be reliably measured. The increase in the year is a result of the Group acquiring an additional 400,000 shares in Tigris.

13b. Investments in Group undertakings

Company	Shares in Group undertakings £'000
Cost	
At 1 January 2012	274
Additions in year	–
At 31 December 2012	274
Net book value	
At 31 December 2012	274
At 31 December 2011	274

13b. Investments in Group undertakings continued

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
Ariana Exploration & Development Limited	100%	United Kingdom	Exploration
Portswood Resources Limited	100%	British Virgin Islands	Holding company
Galata Madencilik San. ve Tic. Ltd.	100%	Turkey	Exploration
Çamyol Gayrimenkul, Madencilik, Turizm, Tarim ve Hayvancilik Ltd.	99%	Turkey	Land acquisition

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

Interest in associates and joint ventures

	Shares in Associated undertakings	
	2012 £'000	2011 £'000
Cost		
At 1 January 2012 and 31 December 2012	–	–

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

Associates	Ownership	Country of incorporation	Nature of business
Greater Pontides Exploration B.V.	49%	Netherlands	Holding company
Pontid Madencilik San. ve Tic. Ltd.	49%	Turkey	Exploration
Pontid Altin Madencilik Ltd.	49%	Turkey	Exploration

Joint ventures			
Zenit Madencilik San. ve Tic. A.S.	86%	Turkey	Exploration

Greater Pontides Exploration B.V. was created in the Netherlands. This company, along with its wholly owned subsidiaries – Pontid Madencilik San. ve Tic. Ltd. and Pontid Altin Madencilik Ltd., private companies incorporated in Turkey – was established originally with European Goldfields Limited as part of the agreement on the Artvin Project, and which the Group accounts for as an associate. European Goldfields Limited was acquired by Eldorado Gold Corporation during the year. Ariana Exploration & Development Limited, a fully owned subsidiary of the Group holds 49% of the ordinary shares and Eldorado Gold Corporation, the other party to the agreement, holds the remaining 51% of the ordinary shares. The Greater Pontides Exploration B.V. Group is treated as an Associate investment for purposes of the Group consolidation as the Group has a significant influence over the financial and operating policy decisions but not control or joint control over these policies.

The reported loss of Greater Pontides Exploration B.V. in its unaudited Group financial statements for the year ended 31 December 2012, amounted to US$85,180 (2011: US$1,205,623). The functional currency for the Greater Pontides Exploration B.V. Group is US Dollars. Greater Pontides Exploration B.V. Group has expensed the costs associated with the Artvin Project in the income statement in accordance with their policy on exploration and evaluation expenditure. In accounting for the associate, these costs have been capitalised in accordance with Group accounting policies. The Group's share of the adjusted loss, converted into Pounds Sterling, has been included in the Consolidated Statement of Comprehensive Income, and amounted to £Nil (2011: £Nil).

The following is a summary of the financial information of the above associates and joint ventures:

	Joint ventures			
Share of JV's balance sheet	JV 100% 2012 £'000	Ariana Share 2012 £'000	JV 100% 2011 £'000	Ariana Share 2011 £'000
Non-current assets	1,318	1,134	647	556
Current assets	249	214	203	174
Total assets	1,567	1,348	850	730
Current liabilities	(1,210)	(1,123)	(521)	(457)
Total liabilities	(1,210)	(1,123)	(521)	(457)
Net assets/(liabilities)	357	225	329	273

	Associates	
Share of Associate's balance sheet	2012 US$'000	2011 US$'000
Non-current assets	3,880	3,592
Current assets	299	530
Total assets	4,179	4,122
Current liabilities	(4,698)	(3,940)
Total liabilities	(4,698)	(3,940)
Net assets/(liabilities)	(519)	182

All Associates have a reporting date of 31 December 2012.

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 S›nd›rg› and Tavflan, collectively known as the "Red Rabbit Project" into a new wholly owned subsidiary, Zenit Madencilik San. ve Tic. A.S. ("Zenit"). Proccea earn their 50% share in Zenit by investing US$8M in the capital of Zenit, US$1.4M of such funds to be spent on a Feasibility Study and an Environmental Impact Assessment ("EIA"), with the balance on initial mine construction, once the Feasibility Study and EIA are completed satisfactorily. Proccea's stake in Zenit remains unchanged during the year at 13.98% (2011: 13.98%).

Ultimately profits from Zenit will be shared in the ratio of 51% the Group and 49% Proccea, but key decisions require approval from both the Group and Proccea, and consequently the Group consolidates the results of Zenit by way of proportional consolidation.

14. Non-current trade and other receivables

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Other receivables	75	12	–	–

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 mining projects. These amounts are due for repayment between 2014 and 2015 and the fair value is not materially different to the carrying value presented.

15. Trade and other receivables

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Amounts owed by Group undertakings	–	–	6,704	6,041
Other receivables	383	314	–	–
Prepayments	28	26	–	–
Unpaid share capital	483	–	483	–
	894	340	7,187	6,041

The fair value of trade and other receivables is not materially different to the carrying values presented. The amounts owed by Group undertakings are interest free and repayable on demand. Other receivables include amounts due from the government of Turkey in respect of VAT relating to the Group's mining projects. The fair value of the VAT recoverable is not materially different to the carrying value presented.

16a. Trade and other payables

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Trade and other payables	116	183	–	–
Social security and other taxes	18	27	–	–
Other creditors	274	83	–	–
Accruals and deferred income	98	124	21	45
	506	417	21	45

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

16b. Interest bearing borrowings

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Loan facility	238	–	238	–

On 23 January 2012, the Group entered in to a US$2M loan facility agreement with YA Global SPV Ltd. Under the agreement, the issuer may at any time convert the principle amount and/or any interest outstanding into ordinary shares in the Company at the conversion price, being 150% of the average of the daily volume weighted average price of the ordinary share of the five trading days prior to the date of the drawn down. The loan bears interest of 10% and is repaid in full within one year through agreed monthly repayments.

The Group drew down US$0.75M in January 2012, and made a further draw down of US$1M in June 2012. Part of the subsequent draw down was used to settle in full the initial draw down. The remaining balance is due to be repaid in full on the 18 June 2013.

On the basis that the loan is denominated in US dollars (being neither the Company's functional or presentational currency), the fixed-for-fixed criteria set out in IAS 32 *Financial Instruments: Disclosure and Presentation*, is not met and therefore the loan is accounted for as a financial liability with no separation of the conversion option required.

17. Share capital

Allotted, issued and fully paid ordinary 1p shares	Number	Share Capital £'000	Share Premium £'000
On issue at 1 January 2012	259,672,334	2,597	6,481
Warrants exercised	9,657,175	96	362
Shares issued under SEDA	60,023,317	600	97
Share placement	41,666,668	417	208
Less expenses on issue	–	–	(144)
On issue at 31 December 2012 – fully paid	371,019,494	3,710	7,004

Between January and February 2012 the Company issued 9,657,175 shares in connection with the exercise of warrants at 4.75p per share for a total consideration of £458,715.

Between June and December 2012 the Company issued 60,023,317 shares (ranging in price from 1.1p to 2.39p per share) for a total consideration of £697,300 under the Standby Equity Distribution Agreement"SEDA"established in 2011.

On 30 July 2012 the Company issued 41,666,668 new ordinary shares for a total consideration of £625,000 for working capital purposes.

Potential issue of ordinary shares

Share options and warrants

At the 31 December 2012 the Company had 15,941,000 options and 15,300,000 warrants outstanding for the issue of ordinary shares as follows:

Date of grant	Exercisable from	Exercisable to	Exercise price	Number granted	Number at 31 December 2012
Options					
19 July 2005	19 July 2005	19 July 2015	8.8p	2,105,869	2,105,869
19 July 2005	19 July 2005	19 July 2015	8.8p	65,131	65,131
22 August 2005	22 August 2005	22 August 2015	13p	870,000	870,000
22 August 2005	22 August 2005	22 August 2015	13p	100,000	100,000
1 September 2006	1 September 2006	1 September 2016	13p	300,000	300,000
22 March 2011	22 March 2011	21 March 2018	5p	12,500,000	12,500,000
Total					15,941,000

Date of grant	Exercisable from and to	Exercise price	Number at 1 January 2012	Lapsed	Converted	Number at 31 December 2012
Warrants						
1 April 2008	1 April 2008–1 April 2013	13p	3,000,000	–	–	3,000,000
25 July 2008	25 July 2008–25 September 2012	8p	608,168	(608,168)	–	–
14 January 2010	14 January 2010–14 January 2013	1p	12,300,000	–	–	12,300,000
18 February 2011	28 February 2011–29 February 2012	4.75p	41,184,738	(31,527,563)	(9,657,175)	–
Total			57,092,906	(32,135,731)	(9,657,175)	15,300,000

No options were issued or exercised in the year. 9,657,175 warrants were converted into ordinary shares at a price of 4.75p per share and 32,135,731 warrants lapsed during the year.

Costs associated with options issued during the year

No options were exercised in the year. Options and warrants issued during the year have been valued using the following inputs to the Black-Scholes model:

	2012 £'000	2011 £'000
Share price when options issued	–	4.6p
Expected volatility (based on closing prices from date of listing to year end)	–	121.1%
Expected life	–	5
Risk free rate	–	3.13%
Expected dividends	–	Zero

The Group recognised the following expenses relating to equity settled share based payment transactions:

	2012 £'000	2011 £'000
Share based payments	–	478

18. Notes to the cash flow statement

(a) Cash generated from Group operations

The following non-cash flow adjustments have been made to the pre-tax results for the year:

	2012 £'000	2011 £'000
Loss before tax	(1,182)	(1,347)
Investment income	(9)	(51)
Finance costs	111	–
Operating loss for the year	(1,080)	(1,398)

Adjusted for:		
Write down of Intangible exploration assets	250	–
Profit on sale of investment	–	(79)
Profit on sale of share of Zenit	–	(46)
Depreciation	1	1
Share based payments	–	478
Operating income before working capital changes		
Change in non-current assets to exchange movements	(15)	99
Change in trade and other receivables	(135)	416
Change in trade and other payables	90	142
Foreign exchange differences	29	(239)
Cash used in Group operations	**(860)**	(626)

(b) Cash generated from Company operations

The following non-cash flow adjustments have been made to the pre-tax results for the year:

	2012 £'000	2011 £'000
Operating loss for the year	(647)	(991)
Adjusted for:		
Profit on sale of investments	–	(79)
Share based payments	–	421
Operating income before working capital changes		
Change in trade and other receivables	433	569
Change in trade and other payables	214	30
Cash used in Company operations	**–**	(50)

19. Contingent liabilities

The Group had no contingent liabilities at the year end (31 December 2011: £nil).

20. Operating lease arrangements

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

	2012 £'000	2011 £'000
Within one year	16	18

21. Capital commitments

The Group had no authorised or unauthorised capital commitments at the year end (31 December 2011: £nil).

22. 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 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.
Çamyol Gayrimenkul, Madencilik, Turizm, Tarim ve Hayvancilik 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 £6,216,390 (31 December 2011: £5,605,223) and £487,509 (31 December 2011: £435,533) respectively.

WJB Payne is a partner in Wilkins Kennedy LLP, Chartered Accountants, the firm which provides his services. During the year end December 2012, Wilkins Kennedy LLP were paid £36,000 in respect of his services as a Director, and £42,400 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 £22,908.

As detailed in Note 13a to the accounts, the Group has an investment in Tigris Resources Limited, a company involved in gold exploration in southern Turkey. Dr. Kerim Sener is a Director of Tigris Resources Limited and his wife is a minority shareholder with a 1.49% shareholding in the company.

Matrix Exploration Pty Ltd, a company majority owned by Dr. Kerim Sener, charged the Company £22,547 (2011: £2,690) for office rent and other services. At the year end the Company owed Matrix Exploration Pty Ltd £nil (2011: £nil).

Associated companies

Transactions between the Group and its associated companies, which are related parties, have been included on consolidation.

Consultancy fees amounting to £2,751 (31 December 2011: £3,837) were receivable by Galata Madencilik San. ve Tic. Ltd. from Pontid Madencilik San. ve Tic. Ltd. The outstanding balance of £33 (31 December 2011: £371) due to Galata Madencilik San. ve Tic. Ltd. is included in trade and other receivables.

23. Post year end events

On 28 February 2013 the Company issued 46,429,980 new ordinary shares of 1p each at 1.2675 pence per share to raise £588,500 before costs.

On 22 March 2013 the Company was advanced a further loan amounting to US$250,000 under the terms of the existing loan agreement with YA Global Master SPV, Ltd.

On 19 April 2013 the Company granted a five year warrant to Loeb Aron & Company Ltd to subscribe for five million shares at 2 pence.

24. 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;
- To provide an adequate return to shareholders in the future when exploration assets are taken into production; and
- To secure sufficient funding to bring the Red Rabbit Project into production.

These objectives will be achieved by identifying the right exploration projects, adding value to these projects (principally Red Rabbit) 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 reporting period under review are summarised in Note 17 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 bring the Red Rabbit Project into production.

25. 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.

Market operational risk

The nature of the Group's and Company's investments requires the commitment of significant funding to finance its mining projects. It is the nature of mining operations that each project is long term before exploration proves to be viable and progresses to reach commercial production. To control these risks the Board arranges for the provision of technical support, commissions technical research and feasibility studies both prior to entering into these commitments and subsequently over the life of these projects.

Liquidity risk

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 its short-term loan, trade and other payables all of which will be settled within six months.

Credit risk and Treasury management

Borrowings outstanding from the Company or its subsidiaries. The Company has borrowings outstanding from its subsidiaries, the ultimate realisation of which depends on the successful exploration and realisation of the Group's intangible exploration assets. This in turn is subject to the availability of financing to maintain the ongoing operations of the business. The Group manages its financial risk to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Foreign currency 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.

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 capital and loan raising activities. The cash assets were subsequently transferred to term deposits. Term deposits returned on average an interest rate of between 0.5% to 1.5% during the year. The deposits are kept under regular review, with reference to future expenditure requirements, and to maximise interest receivable.

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Floating interest rate (by reference to bank base rate)	77	891	–	–
Zero interest rate	178	17	–	–
	255	908	–	–

Interest rate sensitivity

(a) The following table demonstrates the sensitivity to a reasonably expected possible change in interest rates, with all other variables held constant, of the Group's and Company's loss before tax through the impact on interest returns on cash deposits.

	Group 2012 £'000		Group 2011 £'000
Impact of Interest rate sensitivity on cash deposits	Change in rate	Effect on loss	Effect on loss
Sterling	+3%	2	26
	+2%	1	17
	+1%	–	8
Sterling	-1%	–	(8)

(b) The Group and Company have no interest rate exposure on the loan finance provided during the year.

Fair values of financial instruments

The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. The fair values have been determined for measurement and disclosure purposes based on the following methods.

Trade and other receivables

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 receivable and payables are discounted to determine the fair value.

	Carrying amount		Fair values	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Non-current assets				

Trade and other receivables	75	12	75	12
Current assets				
Trade and other receivables	894	340	894	340
Cash and cash equivalents	255	908	255	908
Interest bearing borrowings	(238)	–	(228)	–
Trade and other payables	(506)	(417)	(506)	(417)

Differences arising between the carrying and fair value are considered not significant to adjust for in these accounts.

All payables for the Company and the Group are considered repayable on demand.

Notice of the 2012 Annual General Meeting of Ariana Resources PLC

Company Number: 05403426

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 28 June 2013 at 11:00 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.

Notice is hereby given that the Annual General Meeting of the Company will be held at the East India Club, 16 St James's Square, London SW1Y 4LH, on 28 June 2013 at 11:00 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 2012.
2. To re-elect Michael de Villiers who is retiring by rotation under the Articles of Association as a Director of the Company.
3. To appoint KPMG LLP as auditors. KPMG Audit Plc have notified the Company that they are not seeking reappointment. It is proposed that KPMG LLP be and hereby appointed auditors of the Company and will hold office from the conclusion of this meeting until conclusion of the next general meeting at which the accounts are laid before the Company, and that their remuneration be fixed by the Directors.
4. That, in accordance with section 551 of the Companies Act 2006 ("2006 Act"), the Directors be generally and unconditionally authorised to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company ("Rights") up to an aggregate nominal amount of £1,000,000 provided that this authority shall, unless renewed, varied or revoked by the Company, expire at the end of the next Annual General Meeting of the Company to be held after the date on which this resolution is passed, save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or Rights to be granted and the Directors may allot shares or grant Rights in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This authority is in substitution for all previous authorities conferred on the Directors in accordance with section 551 of the 2006 Act.

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

   5.2. the allotment (otherwise than pursuant to paragraph 5.1 above) of equity securities up to an aggregate nominal amount of £1,000,000.

   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) 12 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:

   6.1. the issued ordinary shares of 1 pence each in the capital of the Company ("Existing Ordinary Shares") be and are hereby subdivided into one ordinary share of [0.1] pence each in the capital of the Company ("New Ordinary Share") and one deferred share of [0.9] pence each in the capital of the Company ("Deferred Share");

   6.2. The Deferred Shares shall have the following rights and be subject to the restrictions set out below:

   i) as regards income, the Deferred Shares shall not entitle the holders thereof to receive any dividend or other distribution;

   ii) as regards voting, the Deferred Shares shall not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of the Company;

   iii) as regards capital, on a return of capital on a winding up the holders of Deferred Shares shall only be entitled to receive the amount paid up on such shares after the holders of the New Ordinary Shares have received the sum of 0.1 pence for each New Ordinary Share held by them and shall have no other right to participate in the assets of the Company;

iv) as regards transfers, the Company is authorised at any time:

(1) to appoint any person to execute on behalf of the holders of the Deferred Shares a transfer thereof and/or an agreement to transfer the same, without making any payment to the holders thereof and persons so entitled, to such persons as the Company may determine as holder thereof beneficially entitled thereto;

(2) pending any such transfer not to issue certificates for the Deferred Shares;

v) as regards variation of rights, neither:

(1) the passing by the Company of any resolution for a reduction of capital involving the cancellation of the Deferred Shares without any repayment of capital in respect thereof, or a reduction of share premium account, or the obtaining by the Company or the making by the Court of an order confirming any such reduction of capital or share premium account or the making effective of such order; nor

(2) the purchase by the Company in accordance with the provisions of the Act of any of its own shares or other securities or the passing of a resolution to permit any such purchase;

shall constitute a variation or abrogation of the rights attaching to the Deferred Shares; and

vi) as regards further issues, the rights conferred by the Deferred Shares shall not be varied or abrogated by the creation or issue of further shares ranking pari passu with or in priority to the Deferred Shares.

6.3. the existing articles of association of the Company be amended such that a new clause 4 be inserted as follows (and all subsequent clauses be amended accordingly):

"3 SHARE CAPITAL

3.1 The share capital of the Company shall consist of ordinary shares of 0.1 pence each and deferred shares of 0.9 pence each ("Deferred Shares").

3.2 The Deferred Shares shall have the following rights and subject to the following restrictions:

3.2.1 as regards income, the Deferred Shares shall not entitle the holders thereof to receive any dividend or other distribution;

3.2.2 as regards voting, the Deferred Shares shall not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of the Company;

3.2.3 as regards capital, on a return of capital on a winding up the holders of Deferred Shares shall only be entitled to receive the amount paid up on such shares after the holders of the ordinary shares have received the sum of 0.1 pence for each ordinary share held by them and shall have no other right to participate in the assets of the Company;

3.2.4 as regards transfers, the Company is authorised at any time:

3.2.4.1 to appoint any person to execute on behalf of the holders of the Deferred Shares a transfer thereof and/or an agreement to transfer the same, without making any payment to the holders thereof and persons so entitled, to such persons as the Company may determine as holder thereof beneficially entitled thereto;

3.2.4.2 pending any such transfer not to issue certificates for the Deferred Shares;

3.2.5 as regards variation of rights, neither:

3.2.5.1 the passing by the Company of any resolution for a reduction of capital involving the cancellation of the Deferred Shares without any repayment of capital in respect thereof, or a reduction of share premium account, or the obtaining by the Company or the making by the Court of an order confirming any such reduction of capital or share premium account or the making effective of such order; nor

3.2.5.2 the purchase by the Company in accordance with the provisions of the Act of any of its own shares or other securities or the passing of a resolution to permit any such purchase;

shall constitute a variation or abrogation of the rights attaching to the Deferred Shares; and

3.2.6 as regards further issues, the rights conferred by the Deferred Shares shall not be varied or abrogated by the creation or issue of further shares ranking pari passu with or in priority to the Deferred Shares."

By Order of the Board dated 24 May 2013

Registered Office
Bridge House
London Bridge
London
UK
SE1 9QR

Michael de Villiers
Company Secretary

Notice of the 2012 Annual General Meeting of Ariana Resources PLC

continued

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 UK BS99 7ZY by no later than 11.00 a.m. on 26 June 2013.

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 11:00 a.m. on 26 June 2013, (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.

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Cover image: Copy of the Piri Reis World Map (1513). Piri Reis was an Ottoman Admiral and Cartographer; 2013 marks the UNESCO 500th anniversary of his world map.