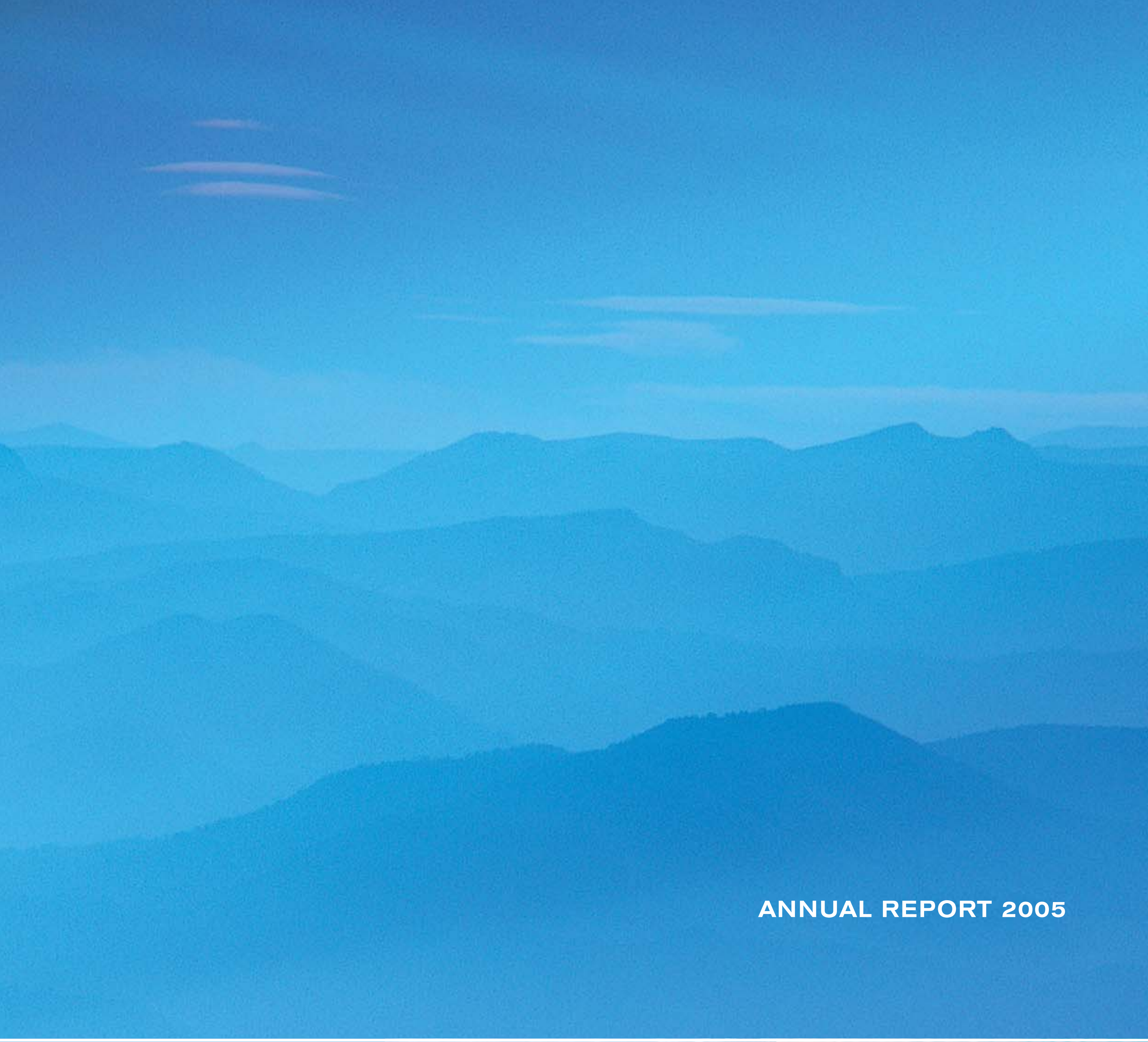

ANNUAL REPORT 2005

ARIANA RESOURCES plc

Inspired to Discover

Company Information

Directors:

M J Spriggs
S J Poulton
M R Grainger
A K Sener
M A Etheridge
M J de Villiers

Secretary:

M J de Villiers

Registered office:

Ridgeway House
1 Hagbourne Road, Didcot
Oxfordshire OX11 8ER

Registered number:

05403426

Auditors:

Grant Thornton UK LLP
31 Carlton Crescent
Southampton
Hampshire SO15 2EW

Bankers:

HSBC
186 Broadway, Didcot
Oxfordshire OX11 8RP

Solicitors:

Cobbetts LLP
Ship Canal House, King Street
Manchester M2 4WB

Nominated broker:

Ambrian Partners Limited
8 Angel Court
London EC2R 7HP

Nominated advisor:

Beaumont Cornish Limited
10-12 Copthall Avenue
London EC2R 7DE

PR advisor:

Bankside Consultants Ltd
1 Frederick's Place
London EC2R 8AE

Registrars:

Computershare Investor Services plc
PO Box 82
The Pavilions, Bridgwater Road
Bristol BS99 7NH

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Chairman's Statement

2005 was a year of inspiration and discovery…

Dear Shareholder,

This is my first opportunity to write to you formally as Chairman of Ariana Resources plc and I am very pleased to provide an overview of the excellent progress made by your Company in 2005. I would like to highlight the key developments and to emphasise the contributions from the people who have made them happen.

'Inspired to Discover' is a theme which runs continuously like a rich vein through your Company's activities, and 2005 was certainly a year of inspired discovery for Ariana. The drive and enthusiasm of Ariana's management team in the pursuit of excellence was rewarded with the addition of substantial market value in the period. Our successful admission to AIM in July 2005, raising approximately £1.2m against a difficult market background, provided a powerful demonstration of your Company's energy and commitment and is something of which I am particularly proud.

'Inspired to Discover' is a theme which runs continuously like a rich vein through your Company's activities, and 2005 was certainly a year of inspired discovery for Ariana. Certainly, the drive and enthusiasm of Ariana's youthful management team in the pursuit of excellence was rewarded with the addition of substantial market value in the period.

Parallelling this progress, your Company has driven forward its exploration programmes to deliver on a number of the key objectives defined in our AIM Admission Document. These include notably the confirmation of significant gold showings together with numerous additional discoveries at our flagship Sindirgi gold project in western Turkey. Further exploration highlights included the discovery of a major gold in soil anomaly at the Kinik prospect and the indication of additional gold mineralised systems from our enlarged generative exploration programme.

During the period your Company's board was expanded and strengthened with the appointment of non-executive Directors, Mike Etheridge and Michael de Villiers, two highly experienced individuals in their respective fields of exploration and finance.

Sindirgi Gold Project

The decision by your Company to acquire the Sindirgi gold project in western Turkey from Newmont Mining in early 2005 proved to be well judged. The project, which covers an area of 224km^2, hosts over 45km of gold-silver bearing quartz veins which vary between 1m and 20m in width. Independent consultants SRK have produced an outline geological model indicating a resource (not yet in accordance with the JORC code) of 150,000oz at an average grade of 4.2 g/t, from just a single 600m section of one vein.

In 2005, Ariana's attention focused on the two most advanced prospects at Sindirgi, namely Kiziltepe and Kepez. The best intersects by Ariana from a programme of channel sampling were 6.29 g/t Au over 13.5 m true thickness (Kiziltepe) and 8.68 g/t Au over 16 m (Kepez). After the period under review, two significant bulk tonnage potential stockwork targets were also defined from a programme of rock chip sampling at Kiziltepe and Kepez.

At least three additional high interest

prospect areas exist at Sindirgi and these will be the focus of a continuing exploration campaign in 2006.

Grassroots Success

Ariana places strong emphasis on the use of advanced remote sensing technology to generate new discoveries. Our in-house database now covers over 500,000km^2 of Turkey and includes geological, mineral occurrence, structural and satellite data. It is an approach that allows Ariana to reduce risks through undertaking rapid and low cost reconnaissance exploration on specific target areas. This strategy has generated numerous targets and forms the backbone of our licence portfolio programme, which now covers approximately 1,000km^2 and which continues to grow.

The Kinik gold discovery in western Turkey testifies to the power of this exploration strategy, where following positive sample results in 2004, a soil geochemical survey has defined a 750m long by 50m wide gold anomaly.

Subsequent to the year end, your Company has raised £2 million by way of a private placement of new shares at 13 pence per share, and it is my pleasure to welcome our new shareholders. The excellent response to our fundraising both from existing and new senior institutional investors underlines the growing market appreciation of your Company's management team, projects and growth potential. I would like to thank all our Shareholders for their continued support.

The solid progress to date which I have outlined has only been achieved through the strong commitment and determination of the entire Ariana team whom I congratulate sincerely. Together, we can anticipate further vigorous exploration activity, in what I expect will prove another pivotal year for your Company, and one in which we will continue to deliver on our stated promises.

Michael J Spriggs
Chairman

Looking ahead

Your Company's strategy going forward is to seek to add value by:

- Drilling at the Kiziltepe and Kepez prospects
- Discovering new vein and bulk tonnage targets
- Acquiring further prospective licences
- Developing joint ventures with local and international partners

Operating Review

Since December 2004 Ariana has successfully grown its portfolio of gold projects in Turkey through exploration and acquisition. Most notably in January 2005 the Company acquired the Sindirgi gold project from Newmont Mining Corporation. The information in this report reviews results up to May 2006.

2005 Highlights

January
Sindirgi gold project acquired from Newmont Mining

April
Appointment of non executive Directors Michael de Villiers & Mike Etheridge

July
Shares admitted to trading on AIM, raising £1.165 million

September
Scoping study at Sindirgi commenced

November
750m long gold in soil anomaly discovered at Kinik prospect

Sindirgi Gold Project

The Sindirgi gold project ("Sindirgi") comprises two operating and eleven exploration licences which cover a contiguous area of 252 km^2 in Balikesir Province, western Turkey. The area was originally targeted during the Company's regional remote-sensing studies and 11 licences were acquired from Newmont Mining Corporation in January 2005 for the consideration of US$400,000. Newmont also retains the right to a royalty of up to 2.5% on future gold production from the Sindirgi gold project. Sindirgi hosts over 45km of gold-silver bearing epithermal quartz veins defined across at least four target areas, being the prospects of Kiziltepe, Kepez, Karakavak and Kizilcukur South.

The focus of work to date has been on the Kiziltepe prospect where a geological model of 150,000 ounces (non JORC) at an average grade of 4.2 g/t has been calculated on a 600m long section of the Arzu South vein, based on drilling undertaken by previous owners. Less than 5% of the vein system at Kiziltepe has been drill tested to date. Work completed by Ariana at Kiziltepe has established a series of targets comprising narrow (1-14m wide) high grade veins and wider (>50m) low grade stockwork areas which will be followed up by drilling in 2006 to define resources.

Since May 2005, 600m of trenching, approximately 800m of rock-saw channel sampling in addition to the collection of 880 rock chip samples and 315 soil samples and 122 stream samples has been completed on Sindirgi leading to the discovery of a number of high priority targets.

Elsewhere on Sindirgi, at the Kepez prospect Ariana has discovered a significant high-grade zone of mineralisation on the Karakaya Vein (including 8.68 g/t Au over 16m and 6.28 g/t Au over 11m). Ongoing exploration on the Karakavak and Kizilcukur South prospects has defined further areas of interest which are currently being assessed by the Company.

Kiziltepe Prospect

The majority of work completed to date on Sindirgi has focused on the Kiziltepe prospect where at least 19 km of low-sulphidation epithermal quartz veins outcrop at surface. There are seven main veins, which generally trend northwest and dip to the northeast within a dacitic volcanic unit. The vein system occurs over an area covering approximately 3 x 1 km. Individual veins are exposed at surface for up to 700m in strike length and are between 1 and 14 m wide.

Arzu Vein

Ariana commissioned SRK UK Ltd ("SRK") to undertake a 3D resource model, based on existing drilling data (Table 1) from the southern (600m) portion of the Arzu Vein representing approximately 5% of the outcropping vein system at Kiziltepe. SRK outlined a geological model of 1.1Mt at an average grade of 4.2 g/t gold for 150,000 ounces (not yet in accordance with the JORC Code) and concluded that wider potential exists for economic resources from a number of open pits at Sindirgi

Table 1: Higher grade intercepts from previous drilling.

Hole	Vein	From(m)	To (m)	Length (m)	Grade Au (g/t)
KT01	Arzu South	51.95	63.00	11.06	3.72
KT02	Arzu South	63.40	67.20	3.70	9.38
KT03	Arzu South	76.30	86.40	9.95	7.23
KT06	Arzu South	35.40	49.50	13.97	3.85
KT16	Arzu North	79.10	83.40	4.35	4.08
RSC6	Arzu South	28.00	34.00	5.69	10.23
RSC8	Arzu South	45.00	52.50	7.50	10.55

hosting between 25,000 and 100,000 ounces each.

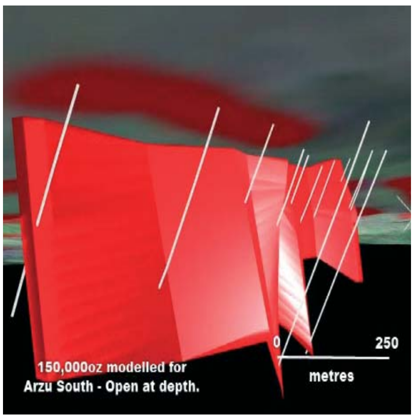
Ariana has undertaken surface mapping, trenching, rock-chip sampling and rock-saw channel sampling on the Kiziltepe vein system. Channel sampling on the Arzu South Vein was designed to verify the gold grades and widths at surface, as indicated by historical drill data. Elsewhere the programme was applied to test the grade and geometry of other, less well exposed veins and determine the source of a significant (>100ppb Au) soil anomaly covering an area of 0.25 x 0.6km.

On the Arzu South Vein, 38 rock-saw channels were completed. The channels were between 1m and 35m in length and spaced at 12.5m intervals along 400m of vein strike. The vein was located and significant mineralisation encountered in all but eight channels. Eight further channels terminated in vein or stockwork material grading above 0.5 g/t Au. A best channel intersect of 6.29 g/t Au over 13.5m true thickness was returned close to historical vein workings.

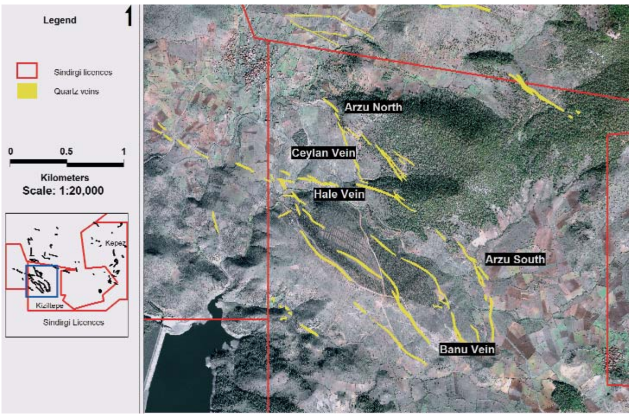
Ariana completed eight trenches (up to 55m in length) across the Arzu North Vein which were channel sampled at regular 1m intervals. The channels were spaced at approximately 40m intervals along a strike length of 250m. All eight channels were mineralised, with a series of parallel quartz veins, stockwork material and dacitic host rock intersected. Significant intercepts included 1.25 g/t over 17.5m, 1.54 g/t over 16.5m,1.44 g/t over 15.6m, 1.23 g/t over 14.6m, and 2.12 g/t over 12.0m (true thicknesses using a 0.5 g/t Au cut off). The Arzu North system remains open in all directions, with several trenches terminating in mineralisation. Vein textures and trace element data are indicative of the upper part of an epithermal system and, supported by historic drill data, gold grades are expected to increase with depth.

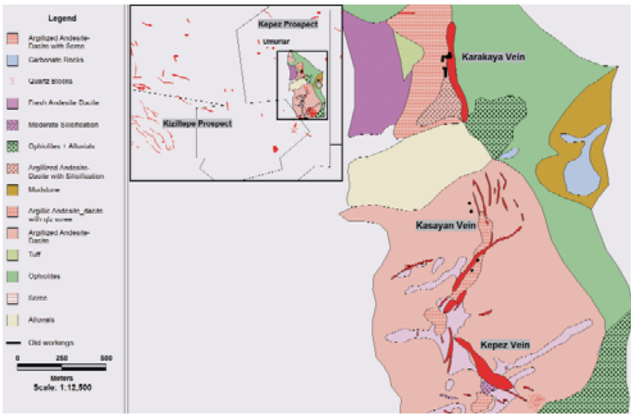
Other veins

The rock saw channel sampling and trenching programme has defined a number of other targets which will be drill tested by the Company in 2006. On the recently discovered Aybor Vein a best intersect of 2.45 g/t Au over 9.5m was returned from 3 initial trenches. Channel sampling on the Hale Vein defined 10.5m @ 2.9 g/t Au coincident with a higher grade soil anomaly that extends some 300m to the west. Rock-chip sampling across the Ceylan Vein and adjacent stockwork, identified consistent gold



Operating Review – continued





mineralisation along 300m of strike length, including a higher grade section averaging 12.6 g/t Au over 32m of strike length, (peak grade of 14.2 g/t Au). The Company plans to drill test these targets in 2006.

Stockwork

A large gold in soil anomaly at least 650m long and typically up to 250m wide, as defined by a >100 ppb gold contour has been defined immediately west of the Arzu North Vein. In March 2006 the Company completed a programme of systematic rock chip sampling across the soil anomaly. In total, 84 samples were collected on a regular 50m x 50m grid and assay results confirm the presence of a wide zone of stockwork style mineralisation. Peak grades from this survey include 7.05 g/t Au and 16.2 g/t Au from samples coinciding with vein material.

Kepez Prospect

The Kepez prospect is located within the same 36km^2 ten-year renewable operating licence which hosts the Kiziltepe prospect. Ariana has mapped over 2.5km in strike length of gold-silver bearing low-sulphidation epithermal quartz veins at Kepez, across an area of at least 2km by 1km. Individual veins are exposed for up to 850m and widths vary between 1m and 25m. The main vein trends northward, dips to the west at 50 degrees and is hosted along the contact between Miocene age andesitic volcanic rocks and Cretaceous ophiolitic units.

In March 2005, initial reconnaissance sampling at Kepez established the presence of significant gold grades at Kepez after a grab sample from historical workings returned 19.66 g/t Au. In December 2005, Ariana completed five rock-chip channel samples along a 100m section of the Karakaya Vein at the Kepez gold prospect to verify grades and widths at surface as indicated by historical drill data. Results from the channels, which measured up to 20m wide and were spaced approximately 25m apart along the vein are presented in Table 2 below. All five channels intersected gold mineralisation with higher grade intercepts of 6.28 g/t over 11m (channel #2) and 8.68 g/t Au over 16m (channel #4). Significantly, channel #4 ended in vein grading above 8 g/t Au at each end.

Table 2: Karakaya vein rock-chip channel sample results

Line Number	Intersection Width (m)	Gold Grade (g/t Au)	Silver Grade (g/t Ag)
1	**1**	**3.42**	**7.00**
2	**11**	**6.28**	**34.39**
Includes	5	12.25	51.46
3	**14**	**2.43**	**23.18**
Includes	5	4.25	38.40
4	**16**	**8.68**	**58.92**
Includes	6	11.75	72.93
5	**4**	**1.62**	**57.53**

Notes:
No top cut has been applied to assay results.
Intersection based on a 0.5 g/t cut off grade.

Umurlar Target

In April 2006 the Company completed a programme of reconnaissance rock-chip sampling and mapping over the Umurlar target within the Kepez prospect. Rock-chip samples were collected from three silicified bodies (quartz stockworks, breccias and veins) outcropping at surface for up to 150 metres in length, discontinuously along a total strike length of 1km within a zone up to 50m wide. Sampling defined the presence of gold and silver mineralisation at Umurlar, with peak grades of 9.77 g/t Au and 9.73 g/t Au (including 68.1 g/t Ag). The quartz textures observed in these areas indicate formation at a high level in the hydrothermal system and the results highlight further potential at depth, where grades are expected to increase.

GENERATIVE EXPLORATION

Overview

As part of its strategy of rapidly and cost efficiently generating a pipeline of projects, the Company has developed a comprehensive understanding of the key geological parameters controlling the location of known gold deposits in Turkey. This systematic methodology has yielded exploration success, with the discovery of the Kinik gold prospect.

Elsewhere, reconnaissance sampling at the Company's licences at Kosedere and Cinarpinar in Çanakkale province of western Turkey has determined several target areas for gold and base metal mineralisation with grades up to 6 g/t Au. In September, exploration commenced on the Company's newly acquired licences in Van province, eastern Turkey.

With an enlarged field team comprising eight Turkish geologists, the Company has accelerated its generative exploration programmes. Progress in the period is summarised as follows:

- Land holdings increased from 210km^2 to approximately 1,000km^2
- 23 licences explored (approx. 460km^2)
- 7 licences relinquished (approx. 140km^2)
- 3 licences advanced to phase 2, including the Kinik gold prospect (approx. 60km^2)
- Over 72,000km^2 analysed by ASTER remote-sensing
- Over 80 new targets designated for future licence application

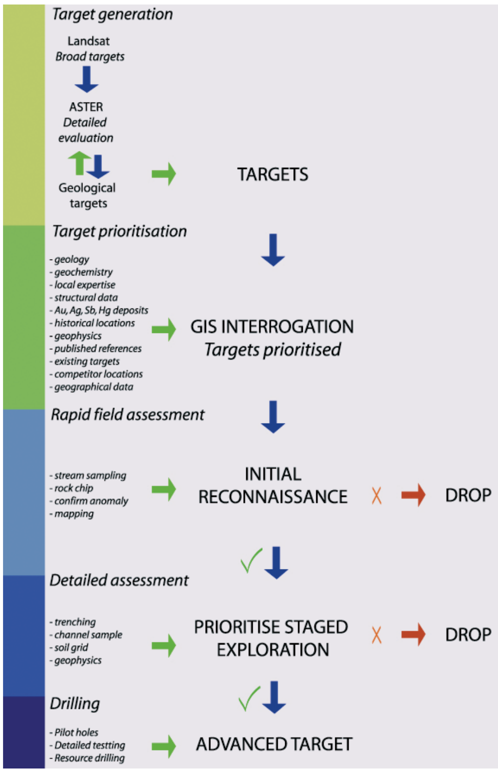
Kinik gold prospect

The Kinik gold prospect forms part of the Ivrindi project, which also includes the Bengiler, Çamavsar, Osmanlar and Okçular licences, totalling 61km^2 in Balikesir Province, western Turkey. The Kinik and Çamavsar licences were acquired following delineation of Landsat remote-sensing alteration anomalies spanning 1.5km x 0.5km and 4km x 0.5km, respectively. The prospect is situated in a regional-scale structural corridor that contains known occurrences of epithermal gold-silver and antimony mineralisation.

Following positive rock chip and channel sampling results Ariana has defined a significant (750m by 50m) gold in soil anomaly (>100 ppb Au) at the Kinik prospect. The Company intends to undertake drilling on this target in order to define the vertical extent of gold mineralisation.

Kösedere and Çinarpinar licences

The Kösedere and Cinarpinar licences cover 57km^2 in Çanakkale Province, western Turkey and were selected on the basis of the Company's remote sensing



database. Reconnaissance work (January 2006) has returned grades up to 6 g/t Au from samples of rock 'float' collected from streams. Samples also returned anomalous copper (0.19%) and zinc (0.25%). A second phase of follow up exploration on these licences is planned.

Corporate review

AIM listing

On July 28, 2005, Ariana was successfully admitted to trading on the AIM market of the London Stock Exchange having raised £1.165 million before expenses.

Operational team

In response to the positive exploration results and with funds from the AIM admission, the Company has expanded its Turkish team, with six geologists and an experienced accountant joining in the period. A country office has been established in the coastal city of Izmir in

Operating Review – continued

western Turkey and a field office established at Sindirgi. In the UK, the Company has established an office in Didcot (Oxfordshire) which is supported by an experienced office manager.

A review of the Company's Directors and senior management is provided below.

Directors Biographies

Michael Spriggs, BA (Hons.) MA MSc (Non-Executive Chairman) aged 62

Michael has over 30 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 11 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. In 1997 he was appointed a partner at College Hill, the UK public relations consultancy, as head of the Mining Team.

He is a Member of The Institute of Materials, Minerals and Mining and a Chartered Engineer. Michael is also Non-Executive Chairman of AIM-listed Vane Minerals plc and Van Dieman Mines plc.

Steven Poulton, BSc (Hons.) MSc MCSM, (Chief Executive Officer) aged 30

Steven Poulton graduated from the University of Southampton with an honours degree in Geology and from the Camborne School of Mines with an M.Sc. in Mining Geology. Steven worked for AIM and TSX-V listed Mano River Resources Inc. as Operations Manager and subsequently Vice President Corporate Development. Steven is a director of African Aura Resources Ltd and director of Exploration Capital Limited.

He is a Fellow of The Geological Society of London, Member of The Institute of Materials, Minerals and Mining and is a member of the UK Association of Mining Analysts.

Matthew Grainger, BSc (Hons.) MSc MCSM, (Operations Director) aged 32

Matthew Grainger graduated with an honours degree in Earth Science and then completed a master's degree at Camborne School of Mines in Mining Geology. He has worked in Ireland and Spain as a project geologist with AIM listed Cambridge Mineral Resources plc and has worked as an independent consultant of KSPM Associates Ltd for a number of clients engaged in mineral exploration and GIS.

He is a Fellow of The Geological Society of London and a member of the UK Association of Mining Analysts.

Kerim Sener, BSc (Hons.) MSc DIC PhD, (Exploration Director) aged 29

Kerim Sener graduated from the University of Southampton with a first-class honours degree in Geology and from the Royal School of Mines (Imperial College, London) with an M.Sc. in Mineral Exploration. He went on to work for Independence Gold Mining Pvt. Ltd. (Lonmin Zimbabwe) as an independent consultant with KSPM Associates Ltd. He then undertook a PhD at the University of Western Australia whilst working on a number of consultancy projects in the Western Australian mining and exploration industry, in addition to working directly with his PhD sponsor Company, ASX listed Northern Gold NL in the Northern Territory. Kerim is a director of KSPM Associates Ltd.

He is a Fellow of The Geological Society of London, Member of The Institute of Materials, Minerals and Mining and a member of the Society of Economic Geologists.

Mike Etheridge, BSc (Hons.) PhD (Non-Executive Director) aged 58

Mike Etheridge has 34 years experience in geological research and mineral consultancy. He graduated from the University of Sydney with a first-class honours degree in Geology and a PhD from the Australian National University. He then lectured in Geology at the University of Adelaide and at Monash University before becoming the Senior Principal Research Scientist for the Bureau of Mineral Resources from 1982-1989. In 1991 he co-founded Etheridge & Henley (later Etheridge, Henley, Williams) which then merged with SRK in 1997, for which he served as a director of SRK Global from 1998-2001 and as Chairman (Australasia) from 1998-2004.

Mike is a Fellow of the Australian Institute of Geoscientists, Fellow of the Australian Academy of Technological Sciences and Engineering and Fellow of the Australian Institute of Company directors. His current directorships include AIM and ASX listed Ballarat Goldfields NL and TSX-V listed Geoinformatics Exploration Inc.

Michael de Villiers, (Non-Executive Director) B. Comm CFA (SA) aged 42

Michael de Villiers qualified as a Commercial and Financial Accountant with Ernst & Young in Cape Town. Michael gained his experience as a

financial manager at mining and chemicals operations in Namibia, Botswana, Ghana, Bulgaria and the United Kingdom. He is currently Finance Director of AIM listed Mercator Gold plc. and was previously the Finance Director of Oxus Gold plc and Navan Mining plc.

Senior Personnel Biographies
Ariana's operations are managed in Turkey by its Executive Directors and a technical team which includes local staff and consultants.

Erhan Şener, General Manager
Erhan Şener is a Turkish national and has over 20 years experience in management in Turkey and in the United Kingdom. Erhan graduated with a degree in Economics from Istanbul Technical University, 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, Mardin Çimento and Oyak Sigorta.

Uğur Aydin, Accounts and Office Manager
Uğur Aydin is a Turkish national and has over 18 years experience in accounting and Company administration. Uğur graduated with a degree in Management from Karadeniz Technical University, Faculty of Economics and Administrative Sciences. He has held a Financial Consultant certificate since 1998 and is a member of the Ankara Chamber of Accountants and Financial Consultants. Uğur previously worked as Chief Accountant and Personnel Manager with TSX-listed Eldorado Gold, where he was involved with the development of the 5 million ounce Kişladag gold mine in western Turkey.

Hüseyin Yilmaz, Senior Geologist
Hüseyin Yilmaz is a Turkish national and has over 30 years experience in mineral exploration. He was previously exploration manager for Eurogold / Normandy in Turkey for 12 years and was involved with the discovery and development of the one million ounce Ovacik gold deposit in western Turkey, prior to taking a senior lecturer position at Dokuz Eylül University in Izmir.

Şakir Güzel, Licence Manager
Şakir Güzel is a Turkish national and has over 20 years experience of managing mining licence acquisition, licence administration and reporting on behalf of companies and private clients. His experience includes licence administration for marble, industrial minerals and more recently gold exploration companies.
Mr Güzel is based in Ankara.

Report of the Directors

The Directors present their report with the audited financial statements of the Company and the Group for the year ended 31st December 2005.

Commencement of trading

The Company was incorporated on 24th March 2005 as Cobco 679 Plc with registered number 5403426. It changed its name on 27th May 2005 to Ariana Resources plc. On incorporation two initial Directors were appointed, Cobbetts (Nominees) Limited and Cobbetts (Secretarial) Limited. These two Directors resigned on 1st April 2005 and the existing Directors were appointed.

On incorporation the authorised share capital of the Company was £50,000 divided into 50,000 ordinary shares of £1 each.

On incorporation two subscriber shares of £1 each in the capital of the Company were issued to Cobbetts (Nominees) Limited and Cobbetts (Secretarial) Limited, respectively. The subscriber shares were transferred to Steven Poulton and Matthew Grainger on 24th March 2005.

On 24 May 2005 the existing and unissued ordinary shares of £1 each in the capital of the Company were subdivided into 100 ordinary shares and the share capital of the Company was increased by £4,950,000 beyond its existing ordinary share capital by the creation of 495,000,000 ordinary shares of 1 pence each.

The Company entered into an agreement to acquire the whole of the share capital of Ariana Exploration and Development Limited on 3rd June 2005 and on 19th July 2005 21,719,400 ordinary shares were issued to the vendors of Ariana Exploration and Development Limited.

The Company was admitted to trading on the AIM market of the London Stock Exchange on 28th July 2005.

Principal activity

The principal activity of the Group in the year under review was that of the acquisition, exploration and development of epithermal or porphyry-related gold resource properties 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.

A review of the Group's activities during the year is contained within the Chairman's statement and review of operations on pages 2 to 9.

Dividends

No dividends will be distributed for the year ended 31st December 2005 and the retained loss has been absorbed by reserves.

Research and development

The Group's research and development activities during the year continued to be concentrated principally on mineral exploration programmes.

Directors

The Directors during the year under review were:

M Spriggs	– appointed 1st April 2005
S J Poulton	– appointed 1st April 2005
M R Grainger	– appointed 1st April 2005
A K Sener	– appointed 1st April 2005
M A Etheridge	– appointed 1st April 2005
M J de Villiers	– appointed 1st April 2005

The beneficial interests of the Directors holding office on 31st December 2005 in the issued share capital of the Company were as follows:

	31st December 2005	24th March 2005 or date of appointment if later
Ordinary £0.01 shares		
M J Spriggs	112,500	–
S J Poulton	2,681,933	–
M R Grainger	1,632,267	–
A K Sener	2,270,800	–
M A Etheridge	83,333	–
M J de Villiers	166,667	–

Share options

The Directors of the Company held share options granted under the Company's Unapproved Share Option Scheme, as indicated below. No share options were exercised during the year.

	31st December 2005	24th March 2005 or date of appointment if later
M J Spriggs	629,200	–
S J Poulton	652,223	–
M R Grainger	652,223	–
A K Sener	652,223	–
M A Etheridge	195,000	–
M de Villiers	195,000	–
Total	**2,975,869**	–

Share capital

The authorised share capital of the Company at 31st December 2005 was £5,000,000 divided into 500,000,000 ordinary shares of 1 pence each.

Section 95 of the Companies Act 1985 provides that any shares being issued for cash must in general be issued to all existing shareholders pro-rata to their holding. However, where Directors have a general authority to allot shares they may be given the power by the Articles or by a special resolution to allot shares pursuant to the authority as if the statutory pre-emption rights did not exist.

The board has been given authority to allot equity securities for cash up to an aggregate nominal value of £1,000,000 such authority to expire on the earlier of 15 months from the date of the resolution or the date of the Annual General Meeting.

The board has used this authority up to a nominal amount of £505,284 pursuant to:-

- 19th July 2005 – share for share exchange of 217,194 £1 ordinary shares in Ariana Exploration and Development Limited were exchanged for 21,719,400 1 pence ordinary shares
- 19th July 2005 – grant of 2,171,000 options at an exercise price of 8.8p exercisable until 19th July 2015
- 28th July 2005 – grant of warrants to Beaumont Cornish Limited to subscribe for 64,516 ordinary shares of the Company at a price of 15.5 pence per share at any time until 28th July 2010
- 28th July 2005 – grant of warrants to Ambrian Partners Limited to subscribe for 471,466 ordinary shares of the Company at a price of 12 pence per share at any time until 28th July 2010
- 22nd July 2005 – Issue of 9,711,666, 1 pence ordinary shares valued at 12 pence each
- 22nd August 2005 – grant of 970,000 options at an exercise price of 13p exercisable until 22nd August 2015.

Report of the Directors – continued

– 20th October 2005 – Issue of 35,800, 1 pence ordinary shares valued at 12 pence each
– 16th May 2006 – Issue of 15,384,617, 1 pence ordinary shares valued at 13 pence each

A special resolution will be passed 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 £5,000,000.

A special resolution will also be passed 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 95 of the Companies Act 1985 up to an aggregate nominal amount of £1,000,000.

The two authorities mentioned above will expire at the earlier of the Annual General Meeting or the date being fifteen months from the passing of the resolutions. The Company's share price varied between 7.75 pence and 12.50 pence during the year. At 31st December 2005 the mid-market price was 10 pence.

Substantial share interest

The Company had been notified of the following interests in Shares held on 31st May 2006:

Shareholder	Ordinary Shares	%
Credit Suisse First Boston Client Nominees Limited	4,500,000	9.88
Pershing Keen Nominee Limited	4,432,308	9.63
HSBC Global Custody Nominee (UK) Limited	3,321,433	7.21
S J Poulton	2,681,933	5.82
A K Sener	2,270,800	4.93
P R Morley	1,956,000	4.25
Chase Nominees Limited	1,900,000	4.13
M Grainger	1,632,267	3.54
Macquarie International Limited	1,538,462	3.33

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. The Company had no trade creditors at the balance sheet date.

Presentation of group results

The presentation of the financial statements has been complicated by the reconstruction of the Group which was effected in preparation for the float. The Company was not in existence for the full year ended 31st December 2005.

On 19th July 2005 Ariana Resources plc acquired the entire issued share capital of Ariana Exploration and Development Limited by way of a share for share exchange. The transaction qualifies as a group reconstruction within the meaning of FRS 6, and has been accounted for using the merger accounting method. Accordingly the financial information for the current period and comparatives have been presented as if Ariana Exploration and Development Limited had been owned by Ariana Resources plc throughout the current and prior periods.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those 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 applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Directors' report and other information included in the Annual Report is prepared in accordance with Company law in the United Kingdom.

The maintenance and integrity of the Ariana Resources plc website is the responsibility of the Directors. The work carried out by the auditors does not involve consideration of these matters, and accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

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 Company'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
- 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 three non-executive Directors, Michael de Villiers, Michael Spriggs and Michael Etheridge. The external auditors have direct access to the members of the committee, without presence of the executive Directors, for independent discussions.

Remuneration committee

The Chairman of the Remuneration Committee is Michael J Spriggs.
The Committee comprises three non-executive Directors Michael de Villiers, Michael J Spriggs and Michael Etheridge. It determines the terms and conditions of the employment and annual remuneration of the executive Directors. It consults with the Chief Executive, takes into consideration external data and comparative third party remuneration and has access to professional advice outside the Company.

Report of the Directors – continued

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 interests 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. During the year 3,141,000 options were granted to employees and consultants.

Financial instruments

Details of the financial risk management objectives and policies of the Group and the exposure of the Group to interest rate risk, currency risk, credit risk and liquidity risk are set out in note 21 to the financial statements.

Auditors

Grant Thornton UK LLP were appointed to fill a casual vacancy. They will be proposed for re-appointment at the forthcoming annual general meeting in accordance with section 385 of the Companies Act 1985.

By order of the board:

M J de Villiers

19th June 2006

Report of the Independent Auditor to the members of Ariana Resources plc

We have audited the Group and parent Company financial statements ('the financial statements') of Ariana Resources plc for the period ended 31st December 2005 which comprise the consolidated profit and loss account, the consolidated and Company balance sheets, the consolidated cash flow statement, the consolidated statement of recognised gains and losses and notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out on page thirteen.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Directors, the Chairman's Report and the Operating and Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Company and the Group as at 31st December 2005 and of the loss of the Group for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
Southampton

19th June 2006

Consolidated Profit and Loss Account for the year ended 31st December 2005

Notes		2005 £'000	2004 £'000
	Administrative expenses	**(397)**	(154)
	Other operating income	**–**	2
3	**Operating Loss**	**(397)**	(152)
	Interest receivable and similar income	**16**	1
	Loss on ordinary activities before taxation	**(381)**	(151)
5	Tax on loss on ordinary activities	**–**	–
	Loss for the financial year	**(381)**	(151)
7	Loss per share (pence)	**1.35**	0.69

Continuing Operations

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

Consolidated statement of total recognised gains and losses for the year ended 31st December 2005

	2005 £'000	2004 £'000
Loss for the financial year	**(381)**	(151)
Currency differences on foreign currency net investments	**(6)**	–
Total recognised gains and losses for the period	**(387)**	(151)

Consolidated Balance Sheet
31st December 2005

Notes		2005 £'000	2005 £'000	2004 £'000	2004 £'000
	Fixed assets				
8	Intangible assets		**498**		67
9	Tangible assets		**33**		4
			531		71
	Current assets				
11	Debtors	**131**		7	
	Cash at bank and in hand	**771**		682	
		902		689	
	Creditors				
12	Amounts falling due within one year	**68**		72	
	Net current assets		**834**		617
	Total assets less current liabilities		**1,365**		688
	Capital and reserves				
13	Called up share capital		**315**		217
14	Share premium		**966**		–
14	Merger reserve		**720**		720
14	Profit and loss account		**(636)**		(249)
18	**Shareholders' funds**		**1,365**		688

On behalf of the board:

S J Poulton – Director

M R Grainger – Director

Approved by the Board on 19th June 2006

Company Balance Sheet
31st December 2005

Notes		2005 £'000
	Fixed assets	
10	Investments	**217**
	Currents assets	
11	Debtors	**744**
	Total assets	**961**
	Capital and reserves	
13	Called up share capital	**315**
14	Share premium	**966**
14	Profit and loss account	**(320)**
18	**Shareholders' funds**	**961**

On behalf of the board:
S J Poulton – Director
M R Grainger – Director

Approved by the Board on 19th June 2006

Consolidated Cash Flow Statement for the year ended 31st December 2005

Notes		2005 £'000	2004 £'000
19	**Net cash outflow from operating activities**	**(528)**	(189)
20	**Returns on investments and servicing of finance**	**16**	1
20	**Capital expenditure and financial investment**	**(463)**	(67)
		(975)	(255)
20	**Financing**	**1,064**	937
	Increase in cash in the period	**89**	682

Reconciliation of net cash flow to movement in net funds

Increase in cash in the period	**89**	682
Net funds at 1 January	**682**	–
Net funds at 31 December	**771**	682

Notes to the Financial Statements

1. Accounting policies

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and the Statement of Recommended Practice Accounting for Oil and Gas Exploration, Development and Production and Decommissioning Activities revised in June 2001 (the SORP).

Basis of consolidation

On 19th July 2005 Ariana Resources plc acquired the entire issued share capital of Ariana Exploration and Development Limited by way of a share for share exchange. The transaction qualifies as a Group reconstruction within the meaning of FRS 6, and has been accounted for using the merger accounting method. Accordingly the financial information for the current period and comparatives have been presented as if Ariana Exploration and Development Limited had been owned by Ariana Resources plc throughout the current and prior periods.

Going concern

The Group is at an early stage of development. In common with many exploration companies the Group raises funds in discrete tranches and the proceeds of the Company's listing on AIM in 2005 raised £1.16m. The Directors and management are using these funds for exploration and evaluation activities on several projects.
The funds are forecast to provide sufficient working capital through 2006 and to raise additional funds when required. Accordingly, the Directors consider that it is appropriate to prepare the financial information on a going concern basis.

Exploration and development costs

In accordance with the full cost method as set out in the SORP, expenditure including directly attributable overheads on the acquisition, exploration and evaluation of interests in licences not yet transferred to a cost pool is capitalised under intangible assets. Cost pools are established on the basis of geographic area. When it is determined that such costs will be recouped through successful development and exploitation or alternatively by sale of the interest, expenditure will be transferred to tangible assets and depreciated over the expected productive life of the asset. Whenever a project is considered no longer viable the associated exploration expenditure is written off to the profit and loss account.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Fixtures and fittings	– 33% on cost
Motor vehicles	– 25% on cost

Deferred tax

Deferred tax is recognised on all timing differences where the transactions or events that give the Group an obligation to pay in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. The financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to reserves. All other exchange differences are dealt with through the profit and loss account.

Financial instruments

The Group uses financial instruments to manage exposures to fluctuations in interest rates.
Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Provision is made for diminution in value where appropriate.
Interest receivable and payable is accrued and credited/charged to the profit and loss account in the period to which it relates.

Liquid resources

Liquid resources comprise cash on short term deposit at not less than 24 hours notice.

2. Staff costs

	2005 £'000	2004 £'000
Wages and salaries	**102**	104
Social security costs	**20**	12
	122	116

The average monthly number of employees during the year was as follows:

	2005 Number	2004 Number
Exploration activities	**3**	3
Administration	**1**	1
	4	4

Exceptional costs

Costs in connection with the company's admission to AIM totalled £248,000. This includes expenses of the issue of new shares as well as the admission to trading of the existing shares, and expenses which were common to both aspects of the IPO have been apportioned on the basis of the ratio of new to existing shares. Costs totalling £106,000 in respect of the issue of new shares have been charged to the share premium account and the balance of £142,000 is included as an exceptional item within administrative expenses.

3. Operating loss

The operating loss is stated after charging:

	2005 £'000	2004 £'000
Depreciation – owned assets	**3**	1
Auditors' remuneration	**10**	8
Directors' emoluments	**150**	104

4. Segmental Analysis

	Loss for the period		Net assets	
	2005 £'000	2004 £'000	**2005 £'000**	2004 £'000
United Kingdom	**382**	151	**732**	609
Turkey	**(2)**	(1)	**633**	66
British Virgin Islands	**1**	1	**–**	13
	381	151	**1,365**	688

5. Taxation

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31st December 2005 nor for the year ended 31st December 2004.

Factors affecting the tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2005 £'000	2004 £'000
Loss on ordinary activities before tax	**(381)**	(151)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004 – 30%)	**(114)**	(45)
Effects of:		
Disallowable expenses	**43**	–
Losses to carry forward	**71**	45
Current tax charge	**–**	–

The Group has tax losses carried forward on which no deferred tax asset is recognised. The deferred tax asset would be recoverable if taxable profits were generated.

Notes to the Financial Statements – continued

6. Loss of parent company

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent Company is not presented as part of these financial statements. The parent Company's loss for the financial year was £320,000.

7. Loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary shareholders £381,000 (2004–£151,000) divided by the weighted average number of shares in issue during the year 29,007,625 (2004–21,719,400). There is no dilutive effect of share options or warrants on the basic loss per share.

On 16th May 2006 a further 15,384,617 shares were issued as detailed in note 22. This decreases the loss per share to 0.86 pence.

8. Intangible fixed assets

Group

	Deferred exploration expenditure £'000
Cost	
At 1st January 2005	67
Additions	431
At 31st December 2005	498
Net Book Value	
At 31st December 2005	498
At 31st December 2004	67

9. Tangible fixed assets

Group

	Fixtures and fittings £'000	Motor vehicles £'000	Totals £'000
Cost			
At 1st January 2005	3	2	5
Additions	17	22	39
At 31st December 2005	20	24	44
Depreciation			
At 1st January 2005	–	1	1
Charge for year	5	5	10
At 31st December 2005	5	6	11
Net Book Value			
At 31st December 2005	15	18	33
At 31st December 2004	3	1	4

10. Fixed assets investments

Company

	Shares in Group undertakings £'000
Cost	
Additions	**217**
At 31st December 2005	**217**
Net Book Value	
At 31st December 2005	**217**

The Group or the Company's investments at the balance sheet date in the share capital of companies include the following:

Subsidiaries

Ariana Exploration and Development Limited

Nature of business: Exploration

Class of shares:	% holding
Ordinary	100.00

Portswood Resources Limited

Country of incorporation: British Virgin Isles

Nature of business: Investment

Class of shares:	% holding
Ordinary	100.00

Galata Madencilik San Ve Tic

Country of incorporation: Turkey

Nature of business: Exploration

Class of shares:	% holding
Ordinary	100.00

11. Debtors: Amounts falling due within one year

	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000
Amounts owed by Group undertakings	**–**	–	**744**
Other debtors	**115**	7	**–**
VAT	**12**	–	**–**
Prepayments	**4**	–	**–**
	131	7	**744**

12. Creditors: Amounts falling due within one year

	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000
Trade creditors	**34**	5	**–**
Social security and other taxes	**7**	51	**–**
Other creditors	**–**	6	**–**
Accruals and deferred income	**27**	10	**–**
	68	72	**–**

13. Called up share capital

Authorised:

Number:	Class:	Nominal value:	2005 £'000
500,000,000	Ordinary	0.01	**5,000**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2005 £'000
31,466,866	Ordinary	0.01	**315**

Share Capital

During the period the Company allotted shares with an aggregate nominal value of £314,669 for a total consideration of £1,386,890 as follows:

Nature of consideration	Price per share	Number	Share Capital £'000	Share Premium £'000
Shares in Ariana Exploration and Development Limited	1pence	21,719,400	217	–
Cash	12 pence	9,711,666	97	1,068
Professional fees	12 pence	35,800	1	4
Total		**31,466,866**	**315**	**1,072**

Potential issue of ordinary shares

Share options and warrants

At the 31st December 2005 the Company had 3,141,000 options and 535,982 warrants outstanding for the issue of ordinary shares as follows:

Options

Date of Grant	Exercisable from	Exercisable To	Exercise Price	Number Granted	Number At 31st December 2005
19th July 2005	19th July 2005	19th July 2015	£0.088	2,105,869	2,105,869
19th July 2005	19th July 2005	19th July 2015	£0.088	65,131	65,131
22nd August 2005	22nd August 2005	22nd August 2015	£0.13	870,000	870,000
22nd August 2005	22nd August 2005	22nd August 2015	£0.13	100,000	100,000
Total				**3,141,000**	**3,141,000**
Warrants					
28th July 2005	28th July 2005	28th July 2010	15.5p	64,516	64,516
28th July 2005	28th July 2005	28th July 2010	12p	471,466	471,466
Total				**535,982**	**535,982**
Total Contingently Issuable shares				**3,676,982**	**3,676,982**

14. Reserves

Group

	Share premium £'000	Merger reserve £'000	Profit and loss account £'000	Totals £'000
At 1st January 2005	–	720	(249)	471
Deficit for the year	–	–	(381)	(381)
Issue of shares	1,072	–	–	1,072
Expenses offset	(106)	–	–	(106)
Foreign exchange	–	–	(6)	(6)
At 31st December 2005	966	720	(636)	1,050

The merger reserve represents the difference between the nominal value of the shares issued for the acquisition of Ariana Exploration and Development Limited and that Company's share capital and share premium account.

Company

	Share premium £'000	Profit and loss account £'000	Totals £'000
Deficit for the year	–	(320)	(320)
Issue of shares	1,072	–	1,072
Expenses offset	(106)	–	(106)
At 31st December 2005	966	(320)	646

15. Contingent liabilities

The Group had no contingent liabilities at 31st December 2005 or 31st December 2004.

16. Capital commitments

	2005 £	2004 £
Contracted but not provided for in the financial statements	–	–

17. Other financial commitments

During May 2005 the Company's subsidiary Ariana Exploration and Development Limited entered into a 4 year operating lease in connection with the business premises. The annual rent is £8,000.

18. Reconciliation of movements in shareholders' funds

Group

	2005 £'000	2004 £'000
Loss for the financial year	(381)	(151)
Shares issued less expenses offset	1,064	–
Long term exchange differences	(6)	–
Net reduction of shareholders' funds	677	(151)
Opening shareholders' funds	688	839
Closing shareholders' funds	1,365	688
Equity interests	1,365	688

Notes to the Financial Statements – continued

19. Reconciliation of operating loss to net cash outflow from operating activities

	2005 £'000	2004 £'000
Operating loss	**(397)**	(152)
Depreciation charges	**3**	1
Foreign exchange differences	**(6)**	–
Increase in debtors	**(124)**	–
Decrease in creditors	**(4)**	(38)
Net cash outflow from operating activities	**(528)**	(189)

20. Analysis of cash flows for headings netted in the cash flow statement

	2005 £'000	2004 £'000
Returns on investments and servicing of finance		
Interest received	**16**	1
Capital expenditure and financial investment		
Purchase of intangible fixed assets	**(424)**	(62)
Purchase of tangible fixed assets	**(39)**	(5)
Net cash outflow for capital expenditure and financial investment	**(463)**	(67)

Additions to intangible assets as shown in note 8 of £431,000 comprises cash flow of £424,000 as shown above and £7,000 of capitalised depreciation.

	2005 £'000	2004 £'000
Financing		
Share issue	**1,165**	937
Expenses offset against share premium	**(101)**	–
Net cash inflow from financing	**1,064**	937

21. Financial instruments

The Group uses financial instruments, other than derivatives, comprising a deposit account, 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 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.

Short term debtors and creditors have been excluded from all of the following disclosures except currency risk.

Liquidity risk

The Group seeks to manage financial risk to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Currency differences on foreign currency net investments

The Group does not hedge its exposure of foreign investments in foreign currencies. The Group is exposed to translation and transaction foreign exchange risks and takes profits or losses on these as they arise.

Functional currency assets in £ sterling

	2005	2004
	£'000	£'000
Turkish lira	**4**	10

Borrowing facilities and interest rate risk

The Group finances its operations through the issue of equity share capital. There is no borrowing and therefore interest rate exposure is restricted to deposits. The majority of the cash was received in July 2005 as a result of fund raising activities. The cash assets were subsequently transferred to a deposit account. The deposit account returned on average an interest rate of between 4.5% and 5% during the year. The deposit account is kept under regular review, with reference to future expenditure requirements, and to maximise interest receivable.

	2005	2004
	£'000	£'000
Floating interest rate (by reference to bank base rate)	**753**	650
Zero interest rate	**18**	32
	771	682

Fair values

The fair value of the Group's financial instruments is considered not materially different to the book value.

22. Post balance sheet events

On the 11th May 2006 the Company announced a conditional placing of 15,384,617 new Ordinary Shares of 1 pence each at a price of 13 pence per share, raising £2,000,000 before expenses. The net proceeds of the placing will be used to accelerate exploration with a programme at the Sindirgi gold project in Western Turkey. The shares were admitted to AIM and dealings commenced on 19th May 2006. The new shares rank pari passu in all respects to the existing share capital.

Notice of the first Annual General Meeting of Ariana Resources plc

Notice is hereby given that the first Annual General Meeting of the Company will be held at the offices of Bankside Consultants Ltd, 1 Frederick's Place, London, EC2R 8AE on Wednesday 19th July 2006 at 3:00 pm to transact the following business of the Company.

Ordinary Resolutions

1. To receive and adopt the Directors' Report and the financial statements for the year ended 31st December 2005 and the report of the auditors thereon (the "Accounts").
2. To re-appoint Grant Thornton UK LLP as auditors and to authorise the Directors to fix their remuneration.
3. As special business, to consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution.

   THAT the Directors of the Company be and are hereby generally and unconditionally authorised and empowered in accordance with section 80 of the Companies Act 1985 ("the Act") (in substitution for all existing authorities under the said section 80) to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) up to an aggregate nominal amount of £5,000,000 to such persons and at such times and upon such terms and conditions as they may determine (subject always to the articles of association of the Company) provided that this authority and power shall, unless renewed, varied or revoked, expire at the conclusion of the next annual general meeting or 15 months from the date of the passing of this resolution (whichever is the earlier) and provided further that the Company may before the expiry of such period make an offer, agreement or arrangement which would or might require relevant securities to be allotted after the expiry of such period and the Directors may then allot relevant securities pursuant to any such offer, agreement or arrangement as if the authority or power had not expired.

Special Resolution

4. As special business to consider and if thought fit to pass the following resolution which will be proposed as a Special Resolution.

   THAT, subject to the passing of the Ordinary Resolution set out above, the Directors of the Company be and are hereby authorised and empowered pursuant to section 95(1) of the Act to allot equity securities (within the meaning of section 94(2) of the Act and in substitution for any other subsisting authorities under the Act) for cash pursuant to the general authority and power conferred by the Ordinary Resolution set out above as if section 89(1) of the Act did not apply to any such allotment, provided that this authority and power shall, unless renewed, varied or revoked , expire at the conclusion of the next annual general meeting or 15 months from the date of the passing of this resolution (whichever is the earlier) and provided further that the Company may before the expiry of such period make an offer, agreement or arrangement which would or might require relevant securities to be allotted after the expiry of such period and the Directors may then allot relevant securities pursuant to any such offer, agreement or arrangement as if the authority or power had not expired and provided further that this authority and power be limited to:

   (i) the allotment of equity securities where such securities have been offered (whether by way of rights issue, open offer or otherwise) to holders of ordinary shares made in proportion (as nearly as may be) to their existing shareholdings of ordinary shares, but subject to such exclusions and arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or any legal or practical problems under the laws of any overseas territory, the requirements of any regulatory authority or any stock exchange, or otherwise;

   (ii) the allotment of shares pursuant to the Company's share option scheme; and

   (iii) the allotment (otherwise than, and in addition to sub-paragraphs (i) and (ii) above) of equity securities up to an aggregate nominal amount of £1,000,000.

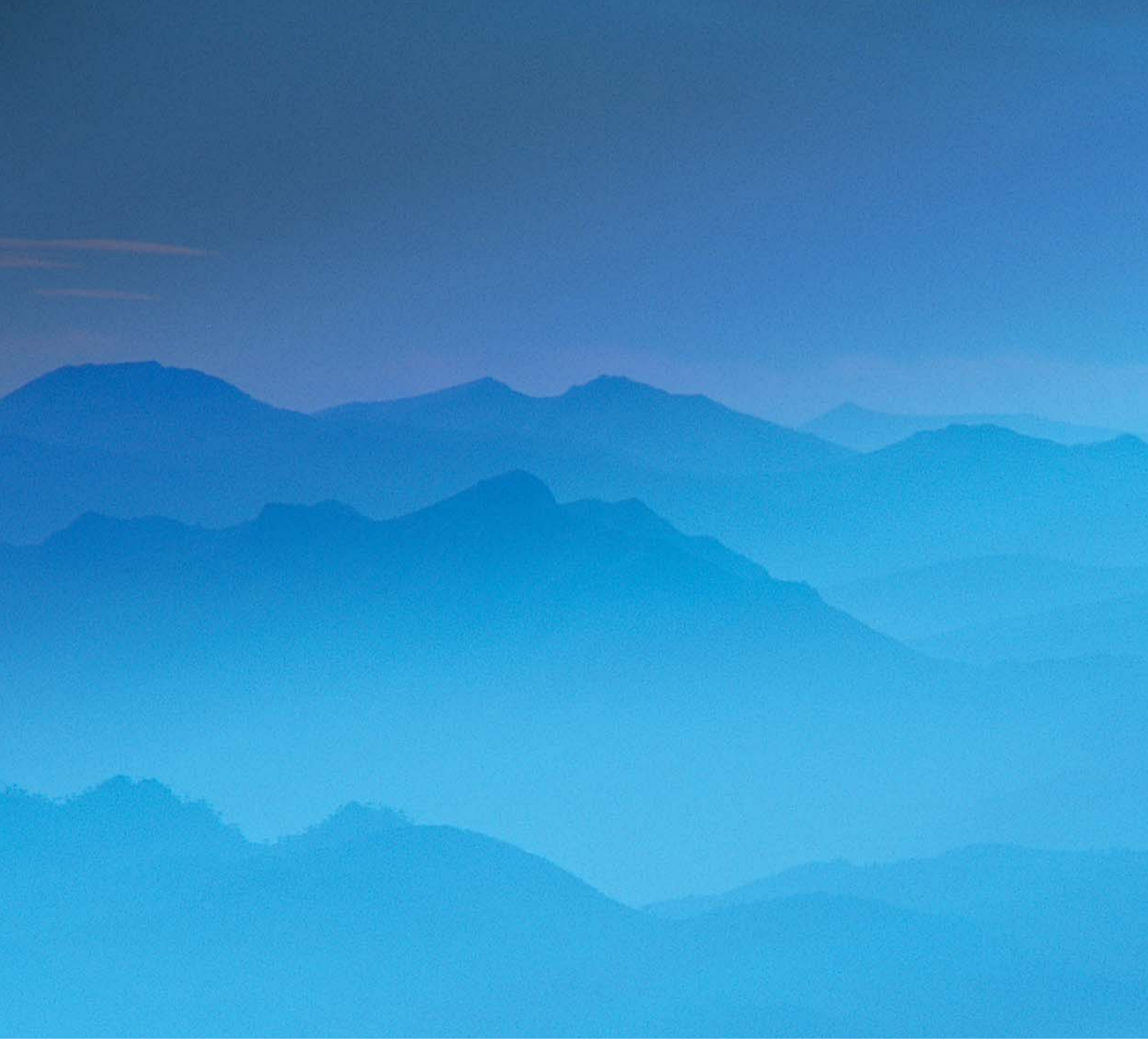
By Order of the Board dated 19th June 2006

Michael de Villiers
Secretary

Registered Office
Ridgeway House, 1 Hagbourne Road, Didcot
Oxfordshire OX11 8ER

Notes:

1. Any member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. A proxy need not preclude a member of the Company from attending and voting at the above meeting if he so desires. To be valid, any appointments of proxies must be deposited at the registered office of the Company no later than 48 hours before the time at which the meeting is scheduled to commence.
2. The following information, which is available for inspection during normal business hours at the registered office of the Company on any weekday (Saturdays and public holidays excepted) from the date of this notice until the date of the General Meeting, will also be available for inspection at the place of the General Meeting for a period of 15 minutes prior to the meeting and until the conclusion of the meeting:
   – Register of interests of Directors in the share capital of the Company; and
   – Copies of service contracts of Directors of the Company.
3. Pursuant to Regulation 41of the Uncertificated Securities Regulations 2001 the Company specifies that only those shareholders registered at 3.00pm on 17th July 2006 shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their names at that time. Changes to entries on the Register of Members after 3.00pm on 17th July 2006 will be disregarded in determining the rights of any person to attend or vote at the meeting.



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