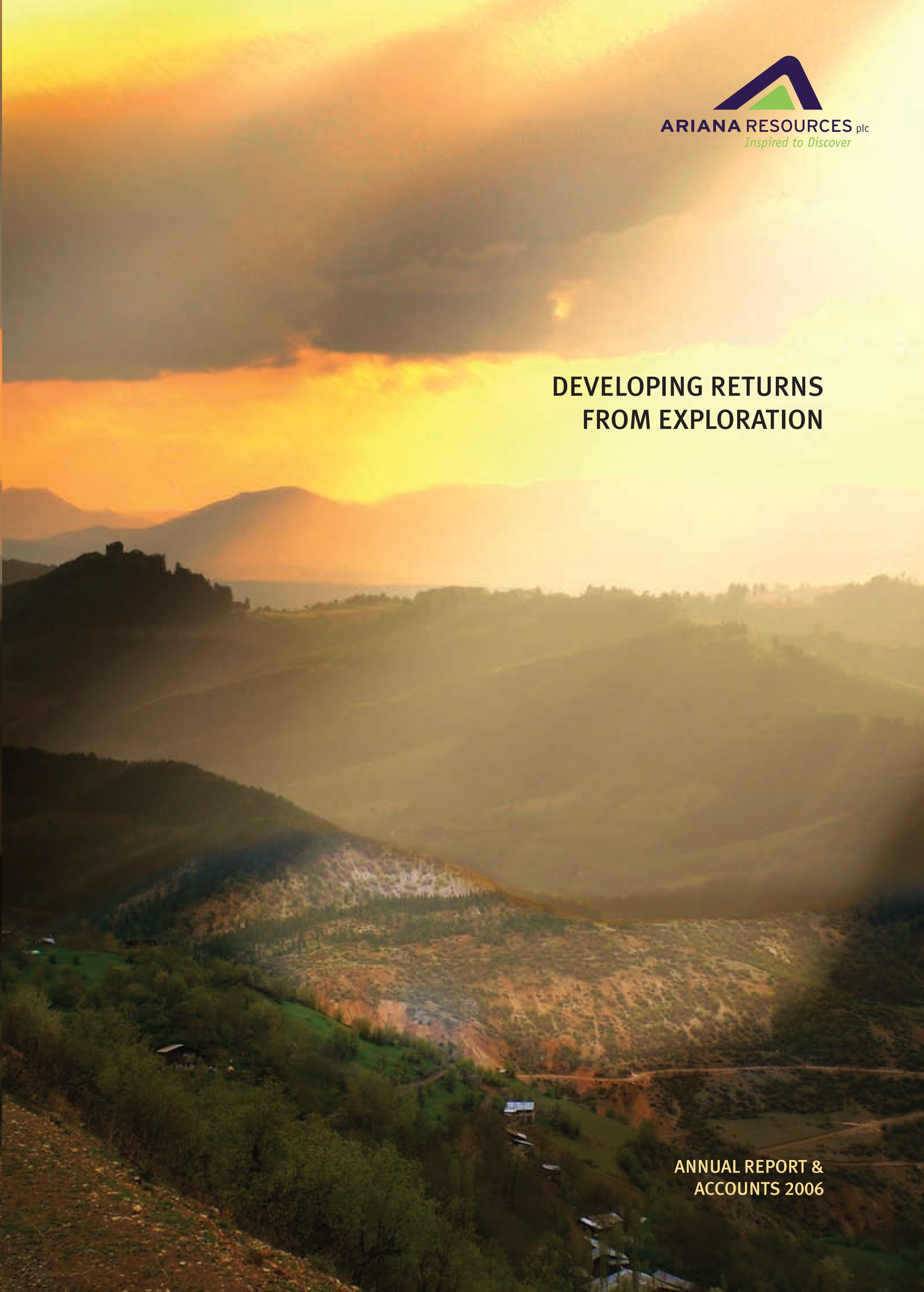
ARIANA RESOURCES plc
Inspired to Discover

DEVELOPING RETURNS FROM EXPLORATION



ANNUAL REPORT & ACCOUNTS 2006

CORPORATE OBJECTIVES

Ariana is focused on delivering exploration success via an intelligent exploration strategy, which integrates geoscientific knowledge and new technologies to identify and advance prospects rapidly. The strategy employed is carefully managed to nurture value by minimising exploration risk.

Longer term, Ariana aims to provide optimal shareholder returns by developing profitable gold mining operations in Turkey. Ariana aims to achieve this objective by utilising its in-house expertise to explore and develop advanced projects and to make further acquisitions. Ariana is targeting an aggregate resource of 1Moz of gold in western Turkey.

CORPORATE POLICY

Ariana considers that its primary responsibilities are to its stakeholders: the shareholders, the communities and the environment in which it operates. More specifically, Ariana:

- Adheres to sound corporate governance policies.
- Maintains a high standard of technical best-practice in its exploration and development activities, and adheres to international standards where applicable.
- Embraces a socially responsible and beneficial approach to health and safety, the environment, and community support in its areas of operation.
- Recognises the importance of its employees and the need to attract and continue to challenge its exceptionally talented people.

Contents

"Ariana has made the successful transition from greenfields explorer to resource developer."

As Chairman of Ariana Resources, it is my great pleasure to provide an overview of the exceptional progress made by your Company in 2006. It is particularly gratifying to report that your Company achieved every one of its targets for the year and has now positioned itself strategically for further growth.

As a junior Company with limited but very carefully managed financial resources, Ariana has a highly focused exploration strategy. As in the previous year, we have concentrated primarily on the increasingly promising Sindirgi Gold Project in western Turkey, which we acquired in early 2005 from Newmont Mining.

In 2006, attention centred on two advanced prospects in the Sindirgi Project, Kiziltepe and Kepez, and at the Kinik prospect in the Ivrindi Project. Surface exploration gave sufficient encouragement to warrant drilling all three prospects and a diamond drilling programme was initiated in August 2006. During the year, the Company completed a total of over 5,500m of drilling at these locations.

We are particularly pleased with progress at the Kiziltepe prospect, which is a large vein field containing a combined vein length of over 20km in outcrop, in addition to several new and previously untested targets. Drilling on portions of the high-grade Arzu South and Arzu North veins at Kiziltepe resulted in the definition of a potentially open-pittable Joint Ore Reserves Committee (JORC) compliant resource of 135,000 oz gold equivalent. It is particularly important to emphasise that this resource estimate was based on only 5% of the mapped veins at Kiziltepe and that all drill-tested veins remain open at depth and along strike.

Consultants SRK consider there to be good potential to upgrade this resource and to test additional 'blind' vein targets. The Company will carry out further drilling on these areas in the second half of 2007. These preliminary results are also judged sufficiently encouraging for SRK to have recommended a scoping study for production options at Kiziltepe. Possible options include an operation on site (either a heap leach or a conventional milling/treatment plant), or trucking ore/concentrate for processing by an operating gold mine. Either of these routes would provide Ariana with 'first mover' advantage in the region.

Continual evolution of Ariana's exploration databank is a cornerstone of the Company's strategy, and by using this database we almost doubled our licence holdings to around 1,820km^2 during the year. Ariana operates an extremely cost-efficient approach to exploration and is able to identify and evaluate prospective areas very rapidly. This initiative is led by an effective and well-trained Turkish team, supported by strong local management, and strengthened during the year by the appointment of more experienced personnel. We are very proud to have such a high-quality team and their contribution to our successful development has been tremendous.

In recognition of this contribution, the Company took the decision to shift emphasis away from UK-based remote-management to the direct management of our operations in Turkey. In parallel with this change of strategic focus some key personnel changes also occurred during the year under review. The structure of the Executive Board was modified following the

"Ariana is poised for further success in 2007"

departure of our colleagues Matthew Grainger and Steven Poulton. Both contributed greatly to the foundation of the business and were instrumental in our introduction to AIM in 2005. We want to thank them sincerely for helping to develop Ariana to this point and we wish them equal success in the future.

With the need to meet the growing demands of ever more stringent formal financial obligations and to monitor closely our cash resources, we are pleased to have appointed part-time CFO, William Payne, of UK accountants Wilkins Kennedy. The Company continues to keep a tight rein on spending to ensure that optimal amounts are devoted to exploration in Turkey.

With the exciting achievements of 2006, Ariana has made the successful transition in a short space of time from greenfields explorer to resource developer. The year ahead promises further positive developments for Ariana. We retain a clear, focused strategy, whose object is to add value for shareholders by:

- Increasing mineral resources at our advanced projects through drilling
- Targeting an aggregate resource of 1Moz gold through exploration
- Identifying and developing joint venture opportunities with international and local partners
- Developing opportunities for early cash-flow

We thank our energetic and focused team of employees for their tireless hard work and commitment, and our shareholders for their invaluable and continuing support. We are confident that Ariana Resources represents one of the best long-term investment opportunities for gold in Turkey. Ariana is poised for further success in 2007.

Michael Spriggs

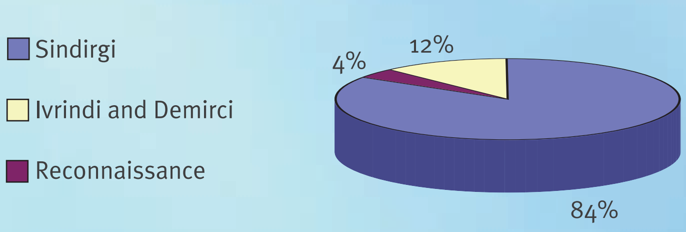
Chairman

29th June 2007

2006-7 Highlights:

May	Mineral resource (JORC) estimate for Kiziltepe
March	Positive exploration drilling results at Kinik
February	Positive drilling results at Vein 4: Kiziltepe
January	Positive drilling results at Banu Vein: Kiziltepe
December	Positive exploration results at Goveli
November	Significant drilling results at Arzu South Vein: Kiziltepe
October	Agreement entered into for exploration in Eastern Turkey
	Licence portfolio almost doubled in area
August	Exploration licences acquired from Newmont Mining Corporation

The information in this report reviews results up to May 2007.



Breakdown of exploration expenditure across projects as pie chart:
Sindirgi – Ivrindi and Demirci – Reconnaissance

SUMMARY

During the year, Ariana achieved solid progress on its exploration and development programmes in Turkey. In western Turkey, the Company evolved a regional strategy surrounding our core Sindirgi Project, and continues to grow its resource base through focused exploration and acquisition in this region.

Drilling programmes were undertaken with considerable success in the Sindirgi and Ivrindi projects. At Sindirgi, this work led to JORC-compliant resources being established for the first time on the Kiziltepe prospect. Meanwhile, work at Ivrindi defined additional potential at the Kinik prospect.

The Company was successful in finalising two corporate transactions. A package of licences, which now comprise the Demirci Project, were acquired from Newmont Mining Corporation in August. An agreement to explore eastern Turkey with the support of a Turkish partner was also finalised in October. This partner contributed several prospective licences to Ariana during the year.

Ariana has continued reconnaissance exploration in western and eastern Turkey. Target generation led to the acquisition of many new exploration licences and subsequent field investigations provided very positive results. The Company now holds 114 exploration properties covering an area of 1,820km^2 across Turkey.

WAVE PROJECT AREA

The Company has dedicated much of its exploration effort on the Western Anatolian Volcanic and Extensional (WAVE) Province in western Turkey. This province hosts the largest operating gold mines in Turkey and remains highly prospective for new porphyry and epithermal deposits.

Ariana is exploring three principal projects within the WAVE Province: Sindirgi, Ivrindi and Demirci. The region surrounding these projects is named the WAVE Project Area, with our base of operations at Sindirgi located strategically at its core.

1Moz of gold can be achieved within the WAVE Project Area.

In addition to containing our advanced projects, the Project Area encompasses the majority of our exploration tenements in western Turkey. The exploration and development risk to future gold resources in this region is reduced due to excellent infrastructure and established local mining operations.

Ariana envisages that an aggregate resource of 1Moz of gold can be achieved within the Project Area and our strategy is designed to build on our existing resource base via exploration and future acquisitions.

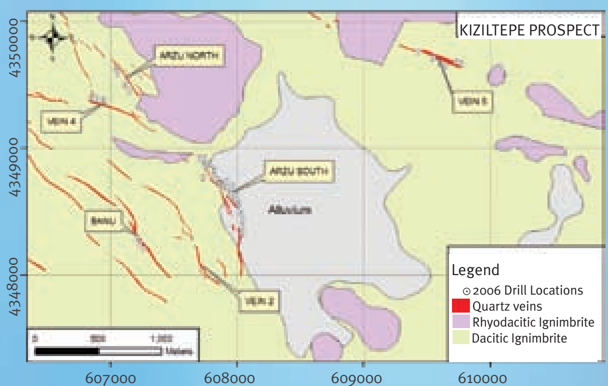
Map of the WAVE project area showing licence distribution.

SINDIRGI GOLD PROJECT

The Sindirgi Gold Project ("Sindirgi") comprises two operating and eleven exploration licences which cover a contiguous area of 258 km^2 in Balikesir Province, western Turkey. The project lies 130km northeast of the coastal city of Izmir and 100km east of the Ovacik gold mine. Sindirgi was acquired in early 2005 from Newmont for US$400,000, with a retained royalty of up to 2.5% on future gold production from the project.

The project encompasses an important regional trend of epithermal gold mineralisation, known as the Sindirgi Gold Corridor, which contains four distinct prospects: Kiziltepe, Kepez, Karakavak and Kizilcukur South. To date, a total of 45km of veins have been identified in outcrop on the project. The project area has also been expanded during the year with the acquisition of new licences in the region.

Since May 2006, 4970m of diamond-drilling, 450m of trenching and rock-saw channel sampling in addition to the collection of 770 rock-chip and 280 soil samples has been completed on the project. Most of this work was undertaken on the Kiziltepe and Kepez prospects.



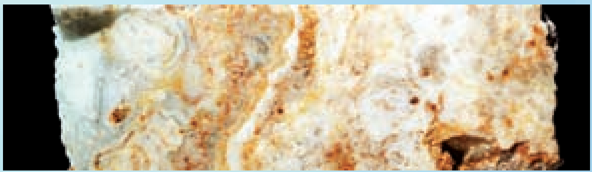
Geological map of Kiziltepe prospect with veins and current drilling.

Kiziltepe Prospect

The Kiziltepe prospect contains 20km of outcropping low-sulphidation epithermal quartz veins, which are hosted by dacitic volcanic units of Miocene age. The vein field occurs in an area covering approximately 3 x 1km and is well serviced by asphalt road and forestry tracks. Individual veins are exposed at surface for 750m in strike length and are between 1 and 14m wide. Five of these vein systems were drilled during the year totalling 10% of the total veins.

Several of the veins contain mineralisation which is potentially open-pittable and, in time, the Company envisages establishing several small pits across the prospect. A scoping study will be pursued in 2007 to evaluate several different mining and processing scenarios.

Only 10% of the veins have been drilled and a mineral resource established on just 5%.



Drill core sample from the Arzu South Vein.

The Arzu South Vein in outcrop.

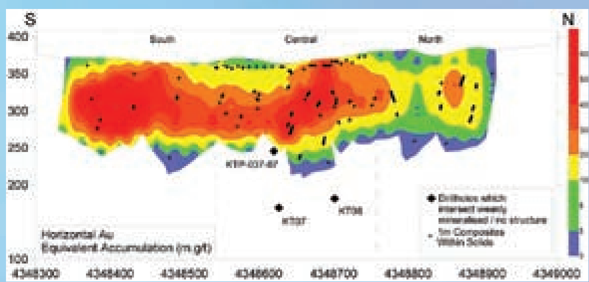
Arzu Vein

The northwest-trending and steeply northeast dipping Arzu Vein system comprises two sections: Arzu South and Arzu North. These two sections are separated over a strike length of 650m by rhyodacitic ignimbrite cover rocks, which obscure the vein system beneath. Both southern and northern sections were drilled in 2006, but no drill-testing was undertaken in the covered area.

During the year, a JORC-compliant mineral resource was established by SRK UK Ltd ("SRK") based on our drilling results for both the southern (750m long) and northern (300m long) sections of this vein system (Table 1). Ten mineralised vein segments were modelled for Arzu South, with vein widths typically between 1.5 and 5m. The mineral resource was established to a depth of 125m from surface and at a cut-off grade of 3 g/t Au (Table 2).

3D model of the Arzu South Vein, looking west and showing Ariana drilling.

The drilling determined that there is an overall grade improvement towards the southern part of the Arzu South system and that the structure contains at least two high grade shoots which plunge moderately to the southeast. This work has determined that the southern part of the vein system requires additional drill testing in 2007.



Vertical longitudinal projection of Arzu South, looking southwest.

"Several of the veins are potentially open-pittable...a scoping study in 2007 will evaluate several different mining and processing scenarios"

Table 1: High grade and wide intercepts from 2006 drilling.

Hole ID	From (m)	To (m)	Apparent Width (m)	Grade Au (g/t)	Grade Ag (g/t)	Grade Au + Au equiv. (g/t)
D03a-06	51.5	58.1	6.7	6.2	62	7.41
D04a-06	42.6	49.0	6.4	5.9	156	9.06
D07a-06	41.3	51.8	10.5	7.5	97	9.43
D08b-06	56.0	62.6	6.6	13.1	122	15.52
and	72.5	78.7	6.2	5.8	83	7.49
D10a-06	32.6	38.9	6.3	6.5	111	8.74

Table 2: SRK resource statement.

Classification	Vein	Tonnage	Grade		Metal	
		(Kt)	(Au g/t)	(Ag g/t)	(oz Au)	(oz Ag)
Indicated	Arzu South (C)	200	5.8	98	37,300	630,225
Inferred	Arzu South (N)	70	4.0	70	9000	157,555
	Arzu South (S)	180	8.0	160	46,300	926,045
	Arzu North	50	4.0	65	6,430	104,500

Other Veins

Exploratory drilling was undertaken on three additional veins at the Kiziltepe prospect as part of our first phase strategy to drill-test many previously undrilled veins at the Kiziltepe prospect. This work provided results which were sufficiently encouraging to warrant follow-up drilling on two of these veins.

At the Banu Vein, three drill holes on a 100m section of vein provided intercepts of 2.10 g/t Au over 4.8m, 2.09 g/t Au over 2.10m and 4.62g/t Au over 2.0m. Silver grades in these intercepts range from 64 g/t Ag to 159 g/t Ag which increase the gold equivalent grades significantly. At Vein 4, three drill holes on a 100m section of vein provided intercepts of 1.42 g/t Au over 6.0m, 1.26 g/t Au over 7.10m and 1.56 g/t Au over 5.0m. Silver grades in these intercepts range from 19 to 49 g/t Ag which increase the gold equivalent grades.

JORC-compliant mineral resource of 135,000 oz gold equivalent now established.

At Banu Vein and Vein 4, certain geological features allow us to conclude that both veins are positioned high in the epithermal system. We predict that these veins represent some of the least eroded veins on the Kiziltepe prospect and that deeper drilling will yield better grades. In 2007 further drilling on these veins will be undertaken.

The drilling of six holes at Vein 5 provided several low-grade and narrow intercepts. It is also clear that the vein system at this location is structurally complex and vein segments are erratic. In 2007 no further work is planned on this vein.

Diamond drilling rig at the Arzu South Vein.

Other Prospects

Exploration within the Sindirgi Project is continuing. A total of four prospect areas have been identified within the project and work has progressed on each of these during the year.

Work at the Kepez prospect identified a 100m long section of the Karakaya Vein which contains high-grade gold mineralisation at surface. This area was drilled in 2006 and the results of this work provided several low-grade and narrow intercepts. Despite this, a new area was identified to the north west of the Karakaya Vein, which has provided several high grade (~10 g/t Au) rock-chips in surface sampling. This area has been named the Umurlar Target and further work on this area is planned for 2007.

Work at the Karakavak prospect focused on detailed geological mapping of the area and was successful in the identification of several additional veins. There are approximately 10km of veins contained by the prospect area. Rock chip sampling in this area yielded a best result of ~10 g/t Au and several targets were identified for potential drill-testing.

Work at the Kizilçukur South prospect involved a soil sampling programme which identified a modest gold anomaly (max. >1000ppb Au) in rhyodacitic ignimbrite and adjacent to an area containing historic workings. Follow-up work in this area is now planned.

Several new targets identified for drill testing in 2007.

The Kepez prospect looking due north. In the immediate foreground is the Kepez Vein. In the middle distance just off centre to the left is the Karakaya Vein.

IVRINDI GOLD PROJECT

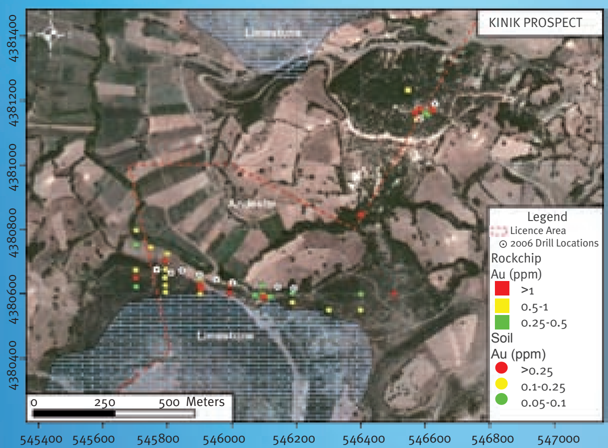
The Ivrindi Project ("Ivrindi") comprises seven exploration licences which cover a semi-contiguous area of 91km^2 in Balikesir Province, western Turkey. The project lies 130km north of Izmir and 70km northwest of Sindirgi. Ivrindi was identified as a target area using remote-sensing methods in early 2004 by Ariana. The project is located in a region of epithermal gold and antimony mineralisation and contains the Kinik prospect, which was discovered in mid-2004 by our exploration team.

"Ariana has demonstrated its efficiency and capability as an explorer, with the early identification of the Kinik and Goveli prospects."

Kinik Prospect

The Kinik prospect contains several outcrops of gold-bearing clay-altered porphyritic andesite of Miocene age, which lie adjacent to a faulted contact with Permian-age limestone. The mineralisation is defined by a 750m long and 50m wide gold in soil anomaly, which was drill-tested in early 2007 by eight drill holes totalling 425m. A further two drill holes were undertaken in an area 900m to the northeast to test silicified areas containing gold and antimony mineralisation.

The drilling provided several encouraging but narrow intercepts including 1.41g/t Au over 6.2m, 4.17 g/t Au over 1.9m and 4.91 g/t Au over 1.7m. Peak gold grades of 10.4g/t Au in surface channel sampling and 7.6g/t in drilling suggest that there is an opportunity to define high grade areas within the prospect. Further work on this prospect and elsewhere in the Ivrindi Project is planned for 2007.



Aerial view of the Kinik prospect showing drilling positions and surface sampling.

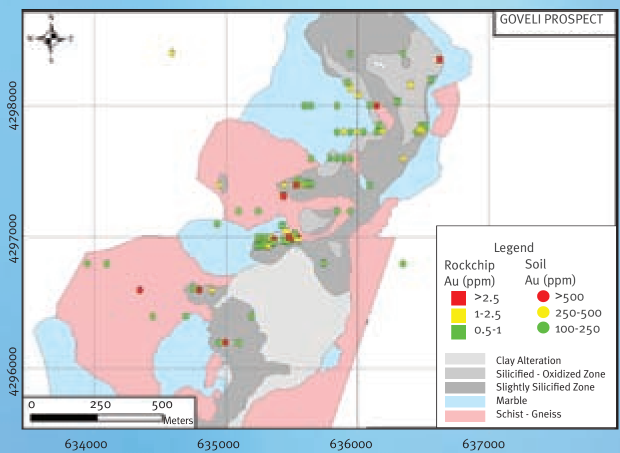
DEMIRCI GOLD PROJECT

The Demirci Project ("Demirci") comprises three exploration licences which cover a contiguous area of 44km² in Manisa Province, western Turkey. The project lies 130km northeast of Izmir and 60km southeast of Sindirgi. Demirci was acquired in mid-2006 from Newmont for a retained royalty of 2% on future gold production from the project. The project is located in a region of epithermal gold mineralisation and present day geothermal activity. The project contains the Goveli prospect.

Goveli Prospect

The Goveli prospect occurs within a 5km long by up to 1km wide northeast striking alteration system occurring along a discontinuous thrust zone between a Cretaceous ophiolitic sequence, Palaeozoic schists and Precambrian gneissic basement. Much of the gold mineralisation in this corridor is of low grade, but higher grade areas are structurally controlled and these have been targeted during our exploration.

Since May 2006, 150m of trenching and rock-saw channel sampling and 600 rock-chip samples have been completed on the project. Detailed geological mapping and systematic rock-chip sampling defined several areas of higher grade gold mineralisation at the prospect (peak grade of 4.2 g/t). Rock-saw channel sampling along a road cut provided results including 0.49 g/t Au over 23m and 0.34 g/t Au over 22m. Follow up exploration is underway to define drill targets.



Geological map of the Goveli prospect showing soil and rock-chip sampling.

OTHER EXPLORATION

Eastern Turkey

Ariana is continuing to explore for large porphyry Cu-Au and related deposits in eastern and northeastern Turkey. The region represents an under-explored part of the Tethyan metallogenic belt known for its porphyry-related deposits. In addition to undertaking greenfields exploration, the Company is also pursuing opportunities for the acquisition of advanced projects in this region.

Following an extensive remote-sensing programme and subsequent target generation in 2006, the Company increased its licence holding in this region to 777 km^2. Ariana also entered into an exploration agreement over a designated area of interest in eastern Turkey with a Turkish mining company. This has increased Ariana's operational capability even in the remotest parts of the region and has ensured strong local support for our work.

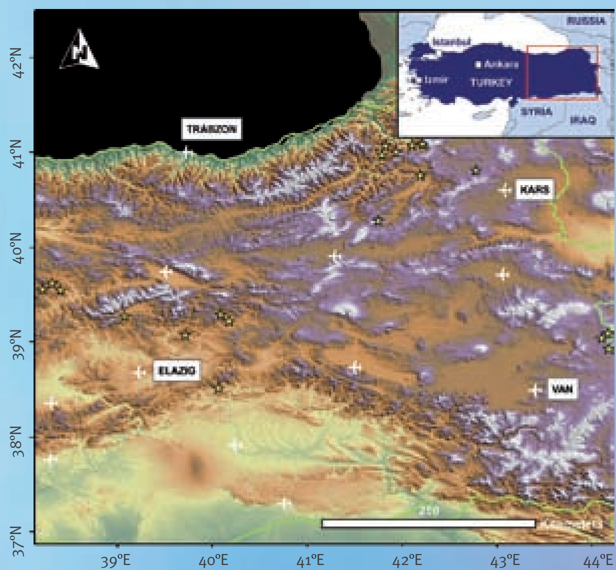
Within the area of interest, exploration undertaken to date includes the identification of:

- Gold-bearing high-sulphidation style epithermal mineralisation
- Skarn-hosted Cu-Au mineralisation
- Cyprus-type Au-bearing massive sulphides
- Porphyry-related alteration systems

We recognise the exploration upside of this highly prospective region.

The early identification of such occurrences from reconnaissance exploration confirms that this region warrants further work. Ariana is seeking a joint venture partner to support and further enhance our capacity for exploration in this region. This will help avoid overstretching our human and financial resources, while ensuring we maintain exposure to the exploration upside of this highly prospective region.

Copper mineralisation identified during reconnaissance exploration in eastern Turkey.



Map showing distribution of licences in Eastern Turkey.

Michael Spriggs, BA (Hons) MA MSc
Chairman *aged 63*

Michael has 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 is a Chartered Engineer. Michael is also Non-executive Chairman of AIM-listed Vane Minerals plc. and Van Dieman Mines plc.

Kerim Sener, BSc (Hons) MSc DIC PhD
Managing Director *aged 30*

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 for Independence Gold Mining Pvt. Ltd. (Lonmin Zimbabwe) he completed a PhD at the University of Western Australia. During his PhD, in 2000-2003, he worked with ASX-listed Northern Gold NL in the Northern Territory and on a variety of exploration consultancy projects in Western Australia.

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 60*

Mike has 35 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, and spent his early career in research and education. In 1991 he co-founded the geoscience consulting firm 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, SRK (Australasia) from 1998-2004.

He 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 Lihir Gold Ltd (ASX, NASDAQ), Consolidated Minerals Ltd (ASX, AIM), Monarch Gold Mining Co Ltd (ASX, Dubai) and Geoinformatics Exploration Inc. (TSX-V).

Michael de Villiers, B. Comm. Professional Accountant
Non-Executive Director *aged 44*

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 currently Finance Director of AIM listed Mercator Gold plc, Davos Resources plc, and CFO of Eurasia Mining plc, and was previously the Finance Director of Oxus Gold plc and Navan Mining plc.

William Payne, BA (Hons) ACA
Chief Financial Officer *aged 42*
William studied Accountancy at Exeter University before training and qualifying as a Chartered Accountant with KPMG in London. He left after 5 years there to become a partner in W H Payne and Co. in 1991. In 2003 he became a partner in top thirty 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. He is head of the firm's Property and Construction Group, and is responsible for several outsourced accounts and administration functions. William is also a director of a number of companies, including acting as Finance Director to a company listed on the London PLUS Markets.

Erhan Şener, BA MA
General Manager *aged 63*

Erhan is a Turkish national and has 36 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).

Uğur Aydin, BA
Accounts and Office Manager *aged 44*

Uğur is a Turkish national and has 20 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 (Turkey) with TSX-listed Eldorado Gold, where he was involved with the development of the 5 million ounce Kişladag gold mine in western Turkey.

Muhanned Arar, BSc MSc
Projects Manager *aged 46*

Muhanned is a Turkish and Jordanian national and has 22 years experience in mineral exploration and mining. Muhanned graduated with a first-class BSc in Applied Geology (Mineral Resources) from the King Abdul Aziz University in Jeddah, Saudi Arabia and with an MSc in Geological Engineering (Economic Geology) from the Middle East Technical University (METU) in Ankara. He has worked for various international consulting, exploration and mining companies in Turkey. For the past 16 years he has been Senior Geologist at the Cayeli Bakır Isletmeleri (owned by INMET of Canada) in Rize and held various roles in resource modelling, mine planning, production and drilling. He is responsible for the implementation and coordination of exploration activities at our advanced projects. He is a member of the Chamber of Geological Engineers of Turkey.

Prof. Hüseyin Yılmaz, BSc (Hons) PhD
Consultant Geologist

Hüseyin is a Turkish and Australian national with 30 years experience in geological research and mineral exploration. He graduated with a first-class BSc (Hons) in Geology from Dokuz Eylül University in Izmir and with a PhD from the University of Western Ontario in Canada. He then lectured in Geology at Dokuz Eylül University until moving to Australia in 1985, where he worked in both uranium and gold exploration. From 1988 to 2000 he was Exploration Manager for Eurogold/Normandy in Turkey and was involved with the discovery and development of the one million ounce Ovacik gold deposit in western Turkey as well as 0.6 million ounce Mastra gold deposit in northeastern Turkey. From 2001 to present he has been Professor of Economic Geology at Dokuz Eylül University in Izmir and has contributed several peer-reviewed papers on the geology and exploration science of gold mineralisation in Turkey.

Şakir Güzel, BSc
Consultant Licence Manager

Şakir is a Turkish national and Geological Engineer and has over 20 years experience of managing mining licence acquisition, licence administration and reporting on behalf of companies and private clients. He worked as a Geological Engineer in two companies between 1984 and 1990 and also became a partner in a firm of mining engineers. Since 1990 he has operated his own Ankara-based company which provides licence management and related support to mining companies. He also has a partnership in a company which produces and trades marble in Turkey. His experience includes licence administration for marble, industrial minerals and more recently gold exploration companies.

The directors present their report with the audited financial statements of the company and the group for the year ended 31st December 2006.

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 Operating Review on pages 1 to 9.

DIVIDENDS

No dividends will be distributed for the year ended 31st December 2006 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 on mineral exploration programmes.

FINANCIAL AND OTHER RISK MANAGEMENT OBJECTIVES

The business of gold exploration has an inherent risk of the group failing to discover a viable deposit of gold within the limits of the group's present resources. The Board is aware of this and continuously reviews progress on all of the various exploration targets against planned expenditure and expected outcomes. The group takes out suitable insurance against operational and corporate risks that are anticipated as being material. The group does not presently hold any forward or hedge positions in either currency or gold. These are presently not deemed necessary and the position is reviewed from time to time. There is an inherent risk of operating between different currencies, namely GBP and Turkish Lira and the Board monitors and reviews this exposure on a regular basis.

The location of the group's principal operations is in Turkey and its corporate base is in the United Kingdom. Both locations are considered stable, with advanced economic and legal infrastructures.

Further details of the group's financial risk management objectives and policies are set out in note 22 to the financial statements.

DIRECTORS

The directors during the year under review were:

M J Spriggs
A K Sener
M A Etheridge
M J de Villiers

S J Poulton (resigned – 1 April 2007)
M R Grainger (resigned – 7 September 2006)

The beneficial interests of the directors holding office on 31st December 2006 in the ordinary issued share capital of the company were as follows:

	2006	2005
S J Poulton	**2,442,100**	2,681,933
A K Sener	**2,270,800**	2,270,800
M J de Villiers	**201,000**	166,667
M J Spriggs	**112,500**	112,500
M A Etheridge	**83,333**	83,333

SHARE OPTIONS

At the end of the year, 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 or lapsed during the year.

Director	2006	2005
S J Poulton	**652,223**	652,223
A K Sener	**652,223**	652,223
M J Spriggs	**629,200**	629,200
M A Etheridge	**195,000**	195,000
M J de Villiers	**195,000**	195,000
Total	**2,975,869**	2,975,869

SHARE CAPITAL

The authorised share capital of the company at 31st December 2006 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 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.

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 £4,058 pursuant to the issue of 105,880 ordinary shares and 300,000 options.

Special resolutions 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 £1,000,000.

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 share price varied between 9.25 pence and 16.75 pence during the year. At 31st December 2006 the mid-market price was 9.5 pence.

SUBSTANTIAL SHARE INTERESTS

The company had been notified of the following interests in Shares held on 14th June 2007:

Shareholder	Ordinary Shares	%
Credit Suisse Client Nominees (UK) Limited	4,450,000	9.48
Barclayshare Nominees Limited	4,150,089	8.84
HSBC Global Custody Nominee (UK) Limited	3,770,664	8.03
Pershing Keen Nominee Limited	2,365,807	5.04
A K Sener	2,270,800	4.84
P R Morley	1,956,000	4.17
Chase Nominees Limited	1,900,000	4.05
Macquarie International Limited	1,538,462	3.28

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 31st December 2006 were 27 days.

POLITICAL AND CHARITABLE CONTRIBUTIONS

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

DIRECTORS' INDEMNITY INSURANCE

Directors and officers liability insurance is held by the group.

GOING CONCERN

The directors confirm that they are satisfied that the group has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing 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 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.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

PROVISION OF INFORMATION TO AUDITORS

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 auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves 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 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 Spriggs. The committee comprises three non-executive directors Michael de Villiers, Michael Spriggs and Michael Etheridge. 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. During the year 300,000 options were granted to employees and consultants.

AUDITORS

The directors will place a resolution before the Annual General Meeting to reappoint Grant Thornton UK LLP as auditors for the ensuing year.

BY ORDER OF THE BOARD

M J de Villiers
Secretary

29th June 2007

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 year ended 31st December 2006 which comprise the consolidated profit and loss account, the consolidated statement of recognised gains and losses, the consolidated and company balance sheets and the consolidated cash flow statement 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 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 whether in our opinion the information given in the Report of the Directors is consistent with the financial statements. The information given in the Report of the Directors includes that specific information presented in the Operating Review that is cross referred from the Business Review section of the Report of the Directors.

In addition we report to you if, in our opinion, 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 Chairman's Statement, the Operating Review and the Report of the Directors. 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 judgments 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 the group's and the parent company's affairs as at 31st December 2006 and of the group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

Grant Thornton UK LLP

Grant Thornton UK LLP
Registered Auditor
Chartered Accountants

London

29th June 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 2006

	Notes	2006 £'000	2005 £'000
Administrative expenses and operating loss		**(424)**	(397)
Interest receivable and similar income		**69**	16
Loss on ordinary activities before taxation		**(355)**	(381)
Tax on loss on ordinary activities	6	**–**	–
Loss for the financial year		**(355)**	(381)
Loss per share (pence)	8		
– basic and diluted		**0.86**	1.35

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 2006

	2006 £'000	2005 £'000
Loss for the financial year	**(355)**	(381)
Currency differences on foreign currency net investments	**(11)**	(6)
Total recognised gains and losses for the year	**(366)**	(387)

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET

31ST DECEMBER 2006

		2006		2005	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	9		**1,297**		498
Tangible assets	10		**42**		33
			1,339		531
Current assets					
Debtors	12	**252**		131	
Cash at bank and in hand		**1,547**		771	
		1,799		902	
Creditors amounts falling due within one year	13	**(205)**		(68)	
Net current assets			**1,594**		834
Total assets less current liabilities			**2,933**		1,365
Capital and reserves					
Called up share capital	14		**470**		315
Share premium	15		**2,738**		966
Merger reserve	15		**720**		720
Profit and loss account	15		**(995)**		(636)
Shareholders' funds	19		**2,933**		1,365

M J Spriggs
Chairman

A K Sener
Managing Director

Approved by the Board on 29th June 2007.

The accompanying notes form part of these financial statements.

COMPANY BALANCE SHEET

31ST DECEMBER 2006

		2006		2005	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Investments	11		**217**		217
Current assets					
Debtors	12	**2,390**		744	
Creditors amounts falling due within one year	13	**(15)**		–	
Net current assets			**2,375**		744
Total assets less current liabilities			**2,592**		961
Capital and reserves					
Called up share capital	14		**470**		315
Share premium	15		**2,738**		966
Profit and loss account	15		**(616)**		(320)
Shareholders' funds	19		**2,592**		961

M J Spriggs
Chairman

A K Sener
Managing Director

Approved by the Board on 29th June 2007.

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER 2006

	Notes	2006 £'000	2005 £'000
Net cash outflow from operating activities	20	**(393)**	(528)
Returns on investments and servicing of finance	21	**56**	16
Capital expenditure and financial investment	21	**(814)**	(463)
		(1,151)	(975)
Financing	21	**1,927**	1,064
Increase in cash in the year		**776**	89
Reconciliation of net cash flow to movement in net funds			
Increase in cash in the year		**776**	89
Net funds at 1 January		**771**	682
Net funds at 31 December		**1,547**	771

The accompanying notes form part of these 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 2001 (the SORP).

The accounting policies have remained unchanged from the previous year other than share based payments which are now accounted for in accordance with FRS 20.

Basis of consolidation

On 25th 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 qualified as a group reconstruction within the meaning of FRS 6, and has been accounted for using the merger accounting method.

The group financial statements consolidate those of the company and its principal subsidiary undertakings for the year ended 31st December 2006.

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	–	between 5% and 33% on cost
Motor vehicles	–	between 20% and 25% on cost

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at 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.

Share-based payments

During the year the group has adopted FRS 20 “Share Based Payments” to share options granted during the year. 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.

The first time adoption of FRS 20 has resulted in a charge to operating profit as detailed in notes 2 and 14. The share option expense has been credited to the profit and loss account reserve and consequently the adoption of FRS 20 has not impacted upon net assets.

Pensions

The group pays contributions to the personal pension schemes of some employees. These contributions are charged to the profit & loss account in the year in which they become payable.

2. STAFF COSTS

	2006 £'000	2005 £'000
Wages and salaries	**130**	102
Social security costs	**15**	13
Share based payments (option scheme)	**7**	–
Pension costs	**21**	–
	173	115

The average monthly number of employees (including Executive Directors) during the year was as follows:

	2006 Number	2005 Number
Exploration activities	**15**	11
Administration	**3**	3
	18	14

3. DIRECTORS' EMOLUMENTS

	2006 £000	2005 £000
Basic salary and fees	**173**	150
Compensation for loss of office	**30**	–
Pension contributions	**21**	–
	224	150

The highest paid director received £45,000 excluding pension contributions and compensation for loss of office.

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the company held by the Directors.

4. OPERATING LOSS

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

	2006 £'000	2005 £'000
Depreciation – owned assets	**5**	3
Operating lease – office rental	**8**	4
Net foreign exchange losses/(gains)	**23**	(1)
Fees payable to the company's auditors for the audit of the company's annual accounts	**10**	8
Fees payable to the company's auditors for other services:		
The audit of the company's subsidiaries	**2**	2
Other services pursuant to legislation	**1**	–

Exceptional item

Costs of £142,000 in connection with the company's admission to AIM were included in operating costs in 2005.

5 SEGMENTAL ANALYSIS

	Loss for the year		Net assets	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
United Kingdom	**317**	382	**1,450**	732
Turkey	**37**	(2)	**1,480**	633
British Virgin Islands	**1**	1	**3**	–
	355	381	**2,933**	1,365

6. TAXATION

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31st December 2006 nor for the year ended 31st December 2005.

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:

	2006 £'000	2005 £'000
Loss on ordinary activities before tax	**(355)**	(381)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005 – 30%)	**(107)**	(114)
Effects of:		
Disallowable expenses	**–**	43
Depreciation in excess of capital allowances	**2**	–
Losses to carry forward	**105**	71
Current tax charge	**–**	–

The group has losses carried forward on which no deferred tax asset is recognised. The deferred tax asset amounting to £176,000 would be recoverable if taxable profits were generated.

7. 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 £303,000 (2005: £320,000).

8. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to ordinary shareholders of £355,000 (2005: £381,000) divided by the weighted average number of shares issued during the year 41,404,229 (2005: £29,007,625) in issue. There is no dilutive effect of share options or warrants on the basic loss per share.

9. INTANGIBLE FIXED ASSETS

Group	Deferred exploration expenditure £'000
Cost	
At 1st January 2006	**498**
Additions	**799**
At 31st December 2006	**1,297**
Net book value	
At 31st December 2006	**1,297**
At 31st December 2005	498

10. TANGIBLE FIXED ASSETS

Group	Fixtures and fittings £'000	Motor vehicles £'000	Totals £'000
Cost			
At 1st January 2006	**20**	**24**	**44**
Additions	**16**	**10**	**26**
At 31st December 2006	**36**	**34**	**70**
Depreciation			
At 1st January 2006	**5**	**6**	**11**
Charge for year	**9**	**8**	**17**
At 31st December 2006	**14**	**14**	**28**
Net book value			
At 31st December 2006	**22**	**20**	**42**
At 31st December 2005	15	18	33

11. FIXED ASSET INVESTMENTS

Company	Shares in group undertakings £'000
Cost	
At 1st January and 31st December 2006	**217**
Net book value	
At 31st December 2006 and 31st December 2005	**217**

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

Subsidiaries

Ariana Exploration and Development Limited

Country of incorporation: United Kingdom

Nature of business: Exploration

Class of shares:	Holding
Ordinary	100%

Portswood Resources Limited

Country of incorporation: British Virgin Isles

Nature of business: Holding company

Class of shares:	Holding
Ordinary	100%

Galata Madencilik San. ve Tic. Ltd

Country of incorporation: Turkey

Nature of business: Exploration

Class of shares:	Holding
Ordinary	100%

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £000
Amounts owed by group undertakings	**–**	–	**2,390**	744
Other debtors	**216**	127	**–**	–
Prepayments	**36**	4	**–**	–
	252	131	**2,390**	744

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £000
Trade creditors	**97**	34	**–**	–
Social security and other taxes	**14**	7	**–**	–
Accruals and deferred income	**94**	27	**15**	–
	205	68	**15**	–

14. CALLED UP SHARE CAPITAL

Authorised:

Number	Class	Nominal value	2006 £'000	2005 £'000
500,000,000	Ordinary	0.01	**5,000**	5000

Allotted, issued and fully paid:

Number	Class	Nominal value	2006 £'000	2005 £'000
46,957,362	Ordinary	0.01	**470**	315

Share Capital

During the year the Company allotted shares with an aggregate nominal value of £154,905 for a total consideration of £2,009,000 as follows:

Nature of consideration	Price per Share	Number	Share Capital £'000	Share Premium £'000
Cash	13 pence	15,384,617	154	1,846
Professional fees	8.5 pence	105,880	1	8
Total		15,490,497	155	1,854

Potential issue of ordinary shares

Share options and warrants

At the 31st December 2006 the company had 3,441,000 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 31 Dec 2006
19th July 2005	19th July 2005	19th July 2015	8.8p	2,105,869	2,105,869
19th July 2005	19th July 2005	19th July 2015	8.8p	65,131	65,131
22nd August 2005	22nd August 2005	22nd August 2015	13p	870,000	870,000
22nd August 2005	22nd August 2005	22nd August 2015	13p	100,000	100,000
Total at 1st January 2006				3,141,000	3,141,000
1st September 2006	1st September 2006	1st September 2016	13p	300,000	300,000
Total at 31st December 2006				**3,441,000**	**3,441,000**
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 at 1st January and 31st December 2006				**535,982**	**535,982**
Total Contingently Issuable shares				**3,976,982**	**3,976,982**

The Weighted Average Exercise Price is 10.1p for options in existence at 1st January 2006, 13.0p for options granted during the year, and 10.35p for options in existence at 31st December 2006.

14. CALLED UP SHARE CAPITAL *continued*

Costs associated with options issued during the year.

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

	2006
Share price when options issued	10.95p
Expected volatility (based on closing prices from date of listing to year end)	1.62%
Expected life	10 years
Risk free rate	4.25%
Expected dividends	Zero

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

	2006 £'000	2005 £'000
Employee benefits (note 2)	**7**	–

15. RESERVES

Group	Share Premium £'000	Merger Reserve £'000	Profit and loss account £'000	Totals £'000
At 1st January 2006	966	720	(636)	1,050
Deficit for the year	–	–	(355)	(355)
Issue of shares	1,854	–	–	1,854
Expenses offset	(82)	–	–	(82)
Foreign exchange	–	–	(11)	(11)
Share based payments	–	–	7	7
At 31st December 2006	**2,738**	**720**	**(995)**	**2,463**

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
At 1st January 2006	966	(320)	646
Deficit for the year	–	(303)	(303)
Issue of shares	1,854	–	1,854
Expenses offset	(82)	–	(82)
Share based payments	–	7	7
At 31st December 2006	**2,738**	**(616)**	**2,122**

16. CONTINGENT LIABILITIES

The group had no contingent liabilities at 31st December 2006 or 31st December 2005.

17. OTHER FINANCIAL COMMITMENTS

The company's subsidiary Ariana Exploration and Development Limited entered into a 4 year operating lease in connection with the business premises at an annual rental of £8,000. Since the year end this lease agreement has been terminated following relocation of the business.

18. CAPITAL COMMITMENTS

	2006 £	2005 £
Contracted but not provided for in the financial statements	**–**	–

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £'000 Group	2006 £'000 Company	2005 £'000 Group	2005 £'000 Company
Loss for the financial year	**(355)**	**(303)**	(381)	(320)
Shares issued less expenses offset	**1,927**	**1,927**	1,064	1,281
Long term exchange differences	**(11)**	**–**	(6)	–
Increase in shareholders funds arising from charge to income for share based payments	**7**	**7**	–	–
Net increase of shareholders' funds	**1,568**	**1,631**	677	961
Opening shareholders' funds	**1,365**	**961**	688	–
Closing shareholders' funds	**2,933**	**2,592**	1,365	961
Equity interests	**2,933**	**2,592**	1,365	961

20. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2006 £'000	2005 £'000
Operating loss	**(424)**	(397)
Depreciation charge	**6**	3
Share based payments	**7**	–
Foreign exchange differences	**(11)**	(6)
Increase in debtors	**(108)**	(124)
Increase in creditors	**137**	(4)
Net cash outflow from operating activities	**(393)**	(528)

21. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2006 £'000	2005 £'000
Returns on investments and servicing of finance		
Interest received	**56**	16
Capital expenditure and financial investment		
Purchase of intangible fixed assets	**(788)**	(424)
Purchase of tangible fixed assets	**(26)**	(39)
Net cash outflow for capital expenditure and financial investment	**(814)**	(463)

Additions to intangible assets are shown in note 9 of £799,000 comprises cash flow of £788,000 as shown above and £11,000 of capitalised depreciation.

21. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT *continued*

	2006 £'000	2005 £'000
Financing		
Share issue	**2,009**	1,165
Expenses offset against share premium	**(82)**	(101)
Net cash inflow from financing	**1,927**	1,064

22. FINANCIAL INSTRUMENTS

The group uses 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 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

	2006 £'000	2005 £'000
Turkish lira	**57**	4

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. Additional cash was received in May 2006 as a result of fund raising activities. The cash assets were subsequently transferred to term deposits. Term deposits returned on average an interest rate of between 4.5% and 5% during the year. The deposits are kept under regular review, with reference to future expenditure requirements, and to maximise interest receivable.

	2006 £'000	2005 £'000
Floating interest rate (by reference to bank base rate)	**1,509**	753
Zero interest rate	**38**	18
	1,547	771

Fair values

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

NOTICE IS HEREBY GIVEN THAT THE SECOND 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 22ND AUGUST 2007 AT 11:00 AM TO TRANSACT THE FOLLOWING BUSINESS OF THE COMPANY.

ORDINARY RESOUTIONS

1. To receive and adopt the Directors' Report and the financial statements for the year ended 31st December 2006 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 RESOLUTIONS

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 upto an aggregate nominal amount of £1,000,000.

By Order of the Board dated 29th June 2007

Michael de Villiers
Secretary

Registered Office

Bridge House
London Bridge
London
SE1 9QR

Notes:

1. A member entitled to attend and vote at this meeting is entitled to appoint a proxy or proxies to attend, and, on a poll, to vote in his/her stead. A proxy need not be a member of the Company. Completion of a form of proxy does not preclude a member from attending the meeting and voting thereat.
2. Any form of proxy and power of attorney or other authority under which it is signed, or notarially certified or office copy of such power or authority, in order to be valid, must reach the Company's Registrars not less than 48 hours before the time of the meeting.
3. Copies of all directors' service contracts of more than one year's duration will be available for inspection at the registered office during usual business hours until the date of the annual general meeting, and at the place of the meeting for at least 15 minutes before the meeting until the conclusion of the meeting.

FORM OF PROXY

OF ARIANA RESOURCES PLC

For use by shareholders for the Annual General Meeting to be held on Wednesday 22nd August 2007 at 11:00 a.m.

I/We (block capitals)

of

being (a) member(s) of Ariana Resources Plc, hereby appoint the Chairman of the meeting or

(Note 1) as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of ARIANA RESOURCES plc to be held at the at the offices of Bankside Consultants Ltd, 1 Frederick's Place, London, EC2R 8AE on Wednesday 22nd August 2007 at 11:00 a.m and at any adjournment meeting.

I/We direct my/our proxy to vote in the manner indicated by an X in the appropriate column. Unless otherwise indicated, or upon any matter properly put before the meeting but not referred to below, my/our proxy may exercise his/her discretion as to how he/she votes and whether or not he/she abstains from voting.

Resolutions	For	Against	Withheld
1. To receive the annual report and financial statements for the year ended 31st December 2006.			
2. To reappoint Grant Thornton UK LLP as Auditors and to authorise the directors to fix their remuneration.			
3. To empower the Directors to allot shares.			
4. To empower the Directors to disapply statutory pre-emption rights with regard to certain allotments of shares.			

Signature(s)

Dated 2007

Notes:

1. A member entitled to attend and vote at this meeting is entitled to appoint a proxy or proxies to attend, and, on a poll, to vote in his/her stead. A proxy need not be a member of the Company. Completion of a form of proxy does not preclude a member from attending the meeting and voting thereat.
2. Any form of proxy and power of attorney or other authority under which it is signed, or notarially certified or office copy of such power or authority, in order to be valid, must reach the Company's Registrars not less than 48 hours before the time of the meeting.
3. Copies of all directors' service contracts of more than one year's duration will be available for inspection at the registered office during usual business hours until the date of the annual general meeting, and at the place of the meeting for at least 15 minutes before the meeting until the conclusion of the meeting.

Second fold

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SWB 1002

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Bristol
BS99 7NH

First fold

Third fold and tuck in

COMPANY INFORMATION

DIRECTORS

M J Spriggs
A K Sener
M A Etheridge
M J de Villiers

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M J de Villiers

REGISTERED OFFICE

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London
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REGISTERED NUMBER

05403426

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PR ADVISOR

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