ARIANA RESOURCES PLC
ANNUAL REPORT & ACCOUNTS 2007

ARIANA RESOURCES PLC
OUR MISSION

Ariana aims to maximise shareholder returns by developing profitable gold mining operations in Turkey. Ariana intends to achieve this objective by utilising its unique 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.

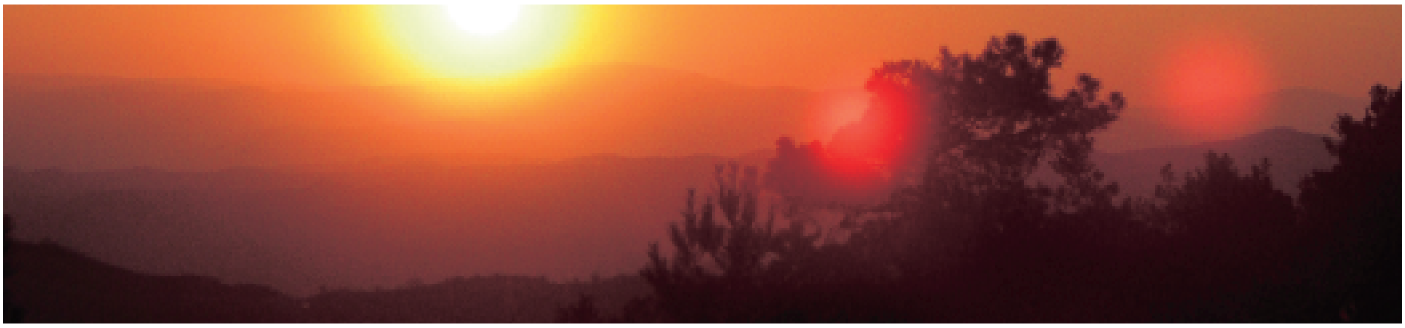
CONTENTS

This year's Annual Report – a new format
Ariana continues to be committed to clear and effective communications with its stakeholders. This year's Annual Report adopts a new format to take account of best practice and the requirements for an enhanced Directors' Report. A substantial amount of information provided elsewhere in previous years' annual reports is now contained in the Report of the Directors. This information includes the Business Review, the Report of the Directors and discussion of Ariana's projects, goals, strategy and the risks faced by the business. Also, for the first time this year, we have provided financial information in accordance with the requirements of International Financial Reporting Standards ("IFRS").

Forward-looking statements
This document contains statements that are not historical facts, but forward-looking statements that involve risks and uncertainties, including the timing and results of exploration programmes, project development and mining risks, the risks of satisfying the regulatory approval process in a timely manner and the need for and the availability of additional capital. A discussion of these and other risks and uncertainties is contained in the Notes to the Consolidated Financial Statements. These forward-looking statements are based on knowledge and information available to the Directors at the date the Notes to the Consolidated Financial Statements were prepared, and are believed to be reasonable at the time of preparation of the Notes to the Consolidated Financial Statements, though are inherently uncertain and difficult to predict. Actual results or experience could differ materially from the forward-looking statements.

2007
OUR STRATEGIC VISION

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



HIGHLIGHTS

Ariana continues to achieve solid progress on its exploration and development programmes in Turkey. In western Turkey, the Company has developed its regional strategy around the core Sindirgi Project, and continues to grow its resource base through focused exploration and acquisition in the region.

- Current resources at 300,000 oz gold equivalent and further resource updates expected
- Mining options study and further metallurgical testwork underway on the high-grade Kiziltepe prospect
- Tavsan Project purchased from Odyssey Resources for a total acquisition cost of US$6 per resource ounce; potential low-cost heap leach operation
- Joint Venture with European Goldfields in north-eastern Turkey, focusing initially on the Ardala copper-gold porphyry

ARIANA RESOURCES PLC
OUR BUSINESS

To explore for and develop new gold mines in Turkey. Through a unique combination of in-country understanding and international expertise, the company is adding value for its shareholders across its impressive portfolio.

TURKEY

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

- Focused on gold in Turkey
- Developing the advanced Sindirgi and Tavsan projects
- Experienced Turkish management team
- Large exploration portfolio containing five drill-stage projects
- Aiming to be the next gold producer in Turkey

Map showing the distribution of projects in Turkey. The WAVE Project Area is shown as a light blue circle surrounding the Sindirgi Project.

PROJECT PIPELINE

Prospect	Remote Sensing	Geological Mapping	Recon. Surveys	Detailed Surveys	Drilling	Resource Estimate	Metallurgical Testing	Scoping	Pre-Feasibility	Feasibility
Kiziltepe			2005	2005-06	Ongoing	2007-8	2007-08	Ongoing		
Kepez			2005	2005-06	2006					
Karakavak	Sindirgi Project Newmont		2005	2006	Planned					
Umurlar			2005	2006	Planned					
Kizilcukur			2005	2006						
Tavsan	Odyssey Resources					2007	2007-08	Planned		
Kinik	2003	2004	2004-05	2005-06	2006-07					
Goveli	Newmont		2006	2006-07	2007					
Ardala (in JV)	Anglo American									

WAVE Project Area

Decreasing Risk →

→ Increasing Value

HOW WE ARE DIFFERENT BEYOND THE GEOLOGY

We recognise our success as a commercial enterprise goes well beyond the geology. We respect the communities in which we operate; seek to maximise the potential of our people; form innovative strategic alliances and aim to enhance our progress towards production.

STAKEHOLDER STRATEGY

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.

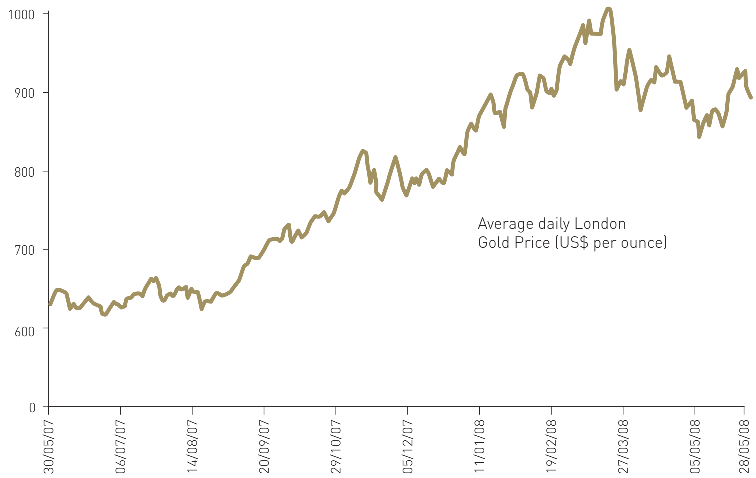
NEAR TERM GOALS

Ariana continues to set itself and deliver on bold operational targets, with the near-term aim of establishing a profitable gold mining operation in Turkey. Ariana is targeting the development of one or more of its core projects as environmentally-friendly small-footprint mines in the coming years.

- Define potentially mineable JORC resources at Kiziltepe and Tavsan
- Evaluate production potential at Kiziltepe and Tavsan: investigate mining scenarios and optimal processing routes
- Increase global resource at Kiziltepe and nearby prospects to 250,000 oz
- Seek new resource development opportunities
- Progress one project to feasibility in 2009; followed by 2nd project
- Define +1Moz total JORC resource in the WAVE Project Area

GOLD MARKETPLACE

The gold price reached a new all-time high in 2008, rising to US$1,011/oz at the London PM fix on 17 March. The average quarterly price climbed to a record US$924.83/oz in Q1 2008, up US$138.58/oz from the average in Q4 2007, the previous record quarterly high. Gold price volatility has also increased markedly this year, although the price movements have been less than the fluctuations in equities and other commodity markets over this period. The recent gold price rise has been fuelled by the global credit crisis, and by the impact of the weakening US dollar and rising levels of inflation.



CHAIRMAN'S STATEMENT

Ariana Resources has now established the largest gold resource of any company not yet engaged in mining in this region of western Turkey.

Michael Spriggs
Chairman

The past year has seen a dramatic transition for Ariana Resources, a coming of age for the company, in which its role has shifted from the early stage explorer category to that of potential mine developer, supported by established JORC defined gold resources and solid funding capability.

EXPLORATION STRATEGY

Since the company's inception, the focus of Ariana's exploration strategy has been the location of economic gold deposits in a highly prospective area of western Turkey, where three successful operating gold mines have been established in recent years. To this end, Ariana has assembled an excellent local exploration team and has developed an unrivalled understanding of this region, built around a powerful database of geoscientific information accumulated over a number of years.

This, together with Ariana's considerable natural advantage of doing business in Turkey, has enabled the company to acquire and evaluate large areas of prospective ground within a rapid time frame. As you will be aware, with this strategy Ariana was able quickly to identify a number of prospective gold targets in Turkey, the more important of which are being explored in detail and investigated with programmes of diamond and reverse circulation drilling.

These activities have now advanced to the stage where over the past year the Company has increased its gold resource base to 300,000 ounces of gold equivalent. The focus of this activity continues to be the Sindirgi Project, where a series of positive drilling results were announced through the year on the main vein systems, Arzu South, Arzu North and Banu at the Kiziltepe prospect, all of which are within a few hundred metres of each other.

Following the initiation of a mining options study with Wardrop Engineering, the company is now confident it can now proceed with a formal scoping study designed to examine the opportunity of establishing an open pit mining operation based on the expanding resources defined at the Kiziltepe prospect.

CORPORATE DEVELOPMENTS

On the corporate front, in September 2007, the company successfully completed a market placing (at 4p per share) which raised a total of £973,068 and which enabled Ariana to complete the current phase of drilling and to develop a comprehensive evaluation of the results.

Two notable additional transactions during the past reporting year have greatly increased the strategic reach and capability of Ariana Resources. In early May 2008, Ariana acquired from TSX-listed Odyssey Resources the Tavsan gold project, also in Western Turkey, with a current resource of 140,000 ounces gold equivalent. This opportunity became available as Odyssey Resources pursued its declared strategy of shifting its exploration focus to projects in North Africa.

Assuming the resource base at Tavsan can be expanded through further drilling, the company is confident that this project could be developed rapidly as a profitable mining operation. As detailed in the report of your Managing Director, Dr Kerim Sener, this project will also be the subject of a scoping study in 2008 to examine the economics of open pit mining and to assess the viability of heap-leach treatment.

During the year, Ariana entered into negotiations with European Goldfields Limited, an AIM- and TSX-listed mining company with extensive operational experience in eastern Europe. These negotiations culminated in April 2008 with the signing of a definitive Joint Venture agreement to cover projects held in northeastern Turkey. In addition to the Joint Venture, European Goldfields has made a cash investment in Ariana Resources of £928,551, acquiring a 20% stake in the enlarged share capital of your Company.

This agreement has generated considerable synergy for both Ariana Resources and European Goldfields on an operational level, as well as providing a substantial cash injection for your company. This will enable Ariana to continue to fund its current exploration programme in western Turkey as well as pursue the formal scoping studies planned for the Kiziltepe and Tavsan projects.

As a key part of these arrangements, we have invited Mr David Reading, CEO of European Goldfields, to join the Board of Ariana Resources. We are very pleased to welcome David to our team; he brings wide international experience of senior level exploration and mining project management, as well as a deep knowledge of the epithermal gold environment in which Ariana operates. Prior to his appointment at European Goldfields, David held senior appointments with Randgold Resources and Anglo American.

OUTLOOK

Ariana Resources has not been immune from the market turbulence of the past year. This was a year in which the smaller companies in the resources sector of the AIM market typically underperformed. Nevertheless, during this period the company successfully completed a significant market placing, increased its trading liquidity through commencing trading on PLUS Markets and, with the assistance of our brokers, removed the bulk of a market overhang that for some time had been exerting downward pressure on the share price.

Ariana Resources has now established the largest gold resource of any company not yet engaged in mining in this region of western Turkey. On the basis of the resources already outlined and of the predicted potential of its licence areas, Ariana is confident that - through its own exploration programme and via acquisitions - its target of establishing a 1 million ounce resource is eminently achievable.

As I have outlined, we expect the year ahead to see substantial progress towards turning these resources to account, with the commissioning of scoping studies at Kiziltepe and Tavsan.
With these projects, we are confident that the continuing support of our shareholders will prove to be amply justified.

REALISING OUR STRATEGY IN 2008

On the basis of the resources already outlined and of the predicted potential of its licence areas, Ariana is confident that - through its own exploration programme and via acquisitions - its target of establishing a 1 million ounce resource is eminently achievable.

We therefore remain extremely grateful to our loyal shareholders, and to the hard working and dedicated Turkish exploration team who have achieved so much in recent times. I conclude by thanking my colleagues on the board of Ariana Resources: We are very fortunate to have the backing, enthusiasm for the company, and commitment to its success of such a highly talented and experienced group of professionals.

I promise you, our shareholders, a year of very exciting developments for Ariana Resources.

Michael Spriggs
Chairman
9 June 2008

BUSINESS REVIEW

2007-8 HIGHLIGHTS:

May	European Goldfields acquires 20% of Ariana Agreement to purchase the Tavsan project
April	Resource upgrade at Kiziltepe defines 160,000oz Positive resource drilling: Arzu South Vein, Kiziltepe
March	Agreement to Joint Venture with European Goldfields
February	Positive drilling results: Banu Vein, Kiziltepe
December	Positive drilling results: Arzu South Vein, Kiziltepe
September	Placing raises £973,068 at 4p per share
August	Positive metallurgical results: Kiziltepe Shares start trading on PLUS
July	Ardala Cu-Au porphyry project acquired
June	Exclusivity agreement and option on Tavsan project

Our resource inventory now contains 300,000 ounces gold equivalent in Measured, Indicated and Inferred categories, which represents more than a 100% increase in our resource base since last year.

Dr. Kerim Sener
Managing Director

SUMMARY

Ariana is building up its resources steadily. Since last year, the Company has developed its regional strategy in western Turkey, and is expanding its resource base through focused exploration and acquisition in the region.

Drilling programmes were undertaken at the Sindirgi, Ivrindi and Demirci projects. At Sindirgi, this work is leading towards a revised JORC-compliant resource for the Kiziltepe prospect. A mining options study for Kiziltepe is also underway, in addition to further metallurgical testwork.

The Company finalised two corporate transactions post year end. A package of licences, which comprise the Tavsan Project, were acquired from Odyssey Resources in May 2008. An agreement with European Goldfields to explore our licences in northeastern Turkey was also finalised in May 2008.

Our resource inventory now contains 300,000 ounces gold equivalent in Measured, Indicated and Inferred categories, which represents more than a 100% increase in our resource base since last year. This has resulted in the Company holding the largest aggregate resource in western Turkey outside of existing gold mining operations.

CORE PROJECTS

The Company dedicates its effort to the Western Anatolian Volcanic and Extensional (WAVE) Province in western Turkey. This province hosts three operating gold mines (total reserves of about 7 M oz) and remains highly prospective for large epithermal and porphyry deposits.

Ariana is developing two core projects within the WAVE Province, Sindirgi and Tavsan, in addition to exploring several subsidiary projects including 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.

The Company is targeting the development of one or more of the core projects as environmentally friendly small-footprint mines in the coming years.

Table 1: Selected intercepts from 2007-8 drilling campaign

Hole ID	From (m)	To (m)	Apparent width (m)	Grade Au (g/t)	Grade Ag (g/t)	Grade Au + Au equiv. (g/t)
D15-08	19.8	24.5	4.7	13.1	149	16.1
D17-08	26.6	33.5	6.9	21.3	99	23.3
D19-08	27.8	34.1	6.3	11.1	136	13.8
D21-08	34.6	41.9	7.3	9.4	128	12.0
D24-08	38.9	44.5	5.6	8.5	165	11.8
D30-08	42.0	47.4	5.4	10.9	190	14.7

Table 2: SRK resource statement for Kiziltepe

Classification	Vein	Tonnage (Kt)	Grade Au (g/t)	Grade Ag (g/t)	Au (oz)	Ag (oz)	Au equivalent oz
Measured	Arzu South	390	6.4	100.6	80,257	1,261,543	105,488
Indicated	Arzu South	110	5.7	105.8	20,161	374,212	27,645
Inferred	Arzu North	50	4.0	65.0	6,431	104,502	8,521
Inferred	Banu	130	2.6	82.3	10,868	344,019	17,749
Total					**117,717**	**2,084,277**	**159,403**

Au + Au equiv. g/t is the sum of the gold grade and the gold equivalent grade of silver based on a gold/silver price ratio of approximately 50:1
Gold equivalent (oz) is the sum of the gold ounces and the gold equivalent ounces of silver based on a gold/silver price ratio of approximately 50:1

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

Ariana is targeting an aggregate resource of 1Moz of gold within the WAVE Project Area and our strategy is designed to build steadily on our existing resource base in the region via exploration and future acquisitions. The Company considers that this target is both realistic and achievable.

SINDIRGI PROJECT

The Sindirgi Gold Project ("Sindirgi") 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 royalty of up to 2.5% on future gold production from the project since assigned to Franco-Nevada Corporation. Current JORC resources stand at 160,000 ounces gold equivalent.

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. To date, a total of 45km of veins have been identified in outcrop on the project.

Since August 2007, 2,961m of RC drilling, 3,060m of diamond-drilling has been completed on the project. All of this work was undertaken on the Kiziltepe prospect.

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. Seven of these vein systems were drilled during the year.

Many of these veins contain mineralisation which is potentially open-pittable and the Company envisages establishing several small pits across the prospect. A mining options study is being undertaken with Wardrop Engineering to evaluate several different mining and processing scenarios.

Kiziltepe Prospect

RC drilling on the Kiziltepe prospect during 2007.

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 2007. Following several positive results in the periphery of the covered area, drill-testing along this zone is now planned.

In April 2008 a revised JORC-compliant mineral resource was estimated by SRK UK Ltd ("SRK") based on our drilling results for both the southern and northern sections of the Arzu vein system, in addition to the Banu vein (Table 1). Thirteen mineralized vein segments were modelled for Arzu South, with veins typically 5-6m wide. The mineral resource was established to a depth of 125m from surface and at a cut-off grade of 2g/t Au (Table 2).

The mining options study is presently considering the economic merits of the project as a stand-alone operation based on an initial open-pittable resource of 100,000 ounces of gold equivalent from the high-grade Arzu South Vein. The addition of further resources will be required ahead of a decision to progress the project to formal scoping in 2008.

BUSINESS REVIEW CONTINUED

Other Veins
Exploratory drilling was undertaken on five additional veins at the Kiziltepe prospect as part of our strategy to drill any previously untested veins. This work provided results which were sufficiently encouraging to warrant follow-up drilling on three of these veins.

At the Banu Vein, seven RC drill holes on a 300m section of vein provided gold-equivalent intercepts of 3.81 g/t over 6m, 3.78 g/t over 5m and 2.58g/t Au over 7m. This complements the three diamond drill holes on this vein reported in 2007.

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. Five additional diamond drill holes were undertaken in early 2008 on Vein 4.

TAVSAN PROJECT
The Tavsan Gold Project ("Tavsan") lies 75km from the Sindirgi Project, 210km northeast of the coastal city of Izmir and 190km east of the Ovacik gold mine. A definitive agreement to purchase the Tavsan Project from Odyssey Resources was finalised in May 2008. The agreement entails a payment of US$500,000 and 3,000,000 shares in the Company at 5p per share, with a retained royalty of up to 2% on future gold production from the project assigned to Teck Cominco. Current 43-101 compliant resources stand at 140,000 ounces gold equivalent (Table 3).

The project is located within an important regional trend of epithermal gold mineralisation, known as the Dağardi Antimony Province. The Tavsan project itself contains three distinct gold prospects: Tavsan, Evciler and Caldibi. A total of 8km of gold mineralised jasperoid has been identified in outcrop on the project.

Tavsan Prospect
The Tavsan prospect contains 4km of outcropping gold mineralised jasperoid, which is located along a low-angle thrust fault separating underlying Jurassic limestone from overlying Late Cretaceous ophiolitic rocks. The outcropping jasperoid occurs in an area covering approximately 4 x 4km and is well serviced by asphalt road and forestry tracks. Individual segments of jasperoid are exposed at surface for 500m and are up to 20m thick. Due to the relatively gently dipping nature of the jasperoid, much of the mineralisation is potentially open-pittable. The Company envisages establishing a linked series of shallow pits across the prospect.

Arzu South Vein
High grade section of the Arzu South vein in outcrop.

Eastern Turkey Copper Mineralisation
Copper mineralisation identified during reconnaissance exploration in eastern Turkey.

Table 3: 43-101 resource statement for Tavsan

Classification	Zone	Tonnage (Kt)	Grade Au (g/t)	Grade Ag (g/t)	Au (oz)	Ag (oz)	Au equivalent oz
Indicated	Main	767	1.79	3.7	44,146	91,251	45,971
Inferred	Main	1,543	1.49	5.0	73,925	248,071	78,886
Inferred	Sivri	354	1.18	5.3	13,432	60,328	14,638
Total					**131,502**	**399,650**	**139,495**

Gold equivalent (oz) is the sum of the gold ounces and the gold equivalent ounces of silver based on a gold/silver price ratio of approximately 50:1

A formal scoping study will be pursued in 2008 to re-evaluate the resource, undertake additional heap-leach testwork and to define a potential mine and plant design. Due to the simplicity of the project, and assuming that the resource can be increased, the Company considers merit in its rapid development as a potential mine.

OTHER EXPLORATION

WESTERN TURKEY

Ariana is continuing to advance its other important licences in the WAVE Project Area. Work in 2007 concentrated specifically on the Ivrindi and Demirci projects on which drilling programmes were undertaken. In addition to undertaking this work, the Company continues to pursue opportunities for the acquisition of other prospective licences and advanced projects in this region.

IVRINDI PROJECT

The Kinik prospect was identified via proprietary satellite remote-sensing techniques in 2004. The 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 2007 by ten diamond drill holes totalling 572m and six RC drill holes totalling 525m. This drilling provided many encouraging but relatively narrow intercepts, such as 4.9 g/t Au equivalent over 1.7m, with occasional wider intercepts, such as 1.42 g/t Au equivalent over 6.2m. Peak gold grades, over 1m intervals, of 10.4g/t Au in surface channel sampling and 7.9 g/t Au in drilling, suggest that there is an opportunity to define high-grade areas. A comprehensive re-evaluation of the prospect and project area is to be undertaken in 2008.

DEMIRCI PROJECT

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 low grade, but higher grade areas are structurally controlled and these were specifically targeted during exploration. Trenching in 2006 and six initial RC drill holes totalling 616m in 2007 defined several areas of near surface gold mineralisation. The most consistent mineralisation was defined by surface rock-saw channel sampling of altered schists, which provided 0.49 g/t Au over 23m. The best drill intercepts at this location are 1.52 g/t Au over 2m and 1.36 g/t Au over 4m from no more than 10m vertical depth.

EASTERN TURKEY

During the year, Ariana continued reconnaissance exploration in eastern Turkey for large porphyry Cu-Au and related deposits, which ultimately led to the definition of potential in a region surrounding the Ardala Project. The project was acquired in July 2007 and, in conjunction with other projects, will be advanced through a Joint Venture agreement with European Goldfields Limited, which was finalized in May 2008. As part of this agreement European Goldfields also made a direct investment in Ariana to acquire 20% of the Company.

ARDALA PROJECT

The Ardala Prospect is located in the Pontide Metallogenic Province of Turkey and lies approximately 80km southeast of the coastal city of Hopa and 20km east of Artvin. The prospect was acquired according to a royalty agreement for which a 1.5% NSR will be payable in the event that the project enters production.

The prospect hosts a porphyry copper-gold (plus molybdenum) mineralised system associated with a series of nested quartz-diorite intrusions of Eocene age within an Upper Cretaceous volcano-sedimentary sequence. Exposed parts of the porphyry have dimensions of 600 x 700m and interpretation of ground magnetic data suggests further lateral continuity beneath limestone units.

Thirteen drill holes were undertaken on part of the mineralised system in the early 1990's for which an outline (non-JORC) resource of 20Mt at an average grade of 0.25 % Cu, 0.45 g/t Au and 65 ppm Mo was established. Surrounding gold-bearing skarns, with a peak grade of 5.16 g/t Au and 0.2% Cu in rock-chips, remain undrilled.

Dr. Kerim Sener
Managing Director
9 June 2008

DIRECTORS, SENIOR STAFF AND ADVISORS

DIRECTORS

Michael Spriggs BA (Hons) MA MSc
Chairman, aged 64
Michael has 35 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. Between 1997 and 2004 he was a partner at College Hill, the UK public relations consultancy, as head of the Mining Team. He is presently a consultant to Bankside Consultants, the public relations consultancy.

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

Kerim Sener BSc (Hons) MSc DIC PhD
Managing Director, aged 31
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. He is a non-executive director of Genesis Resources Limited (a private company) in Australia.

Mike Etheridge BSc (Hons) PhD
Non-Executive Director, aged 61
Mike has 36 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. Michael is non-executive Chairman of Van Dieman Mines plc. (AIM), and he is a director of Consolidated Minerals Ltd, Geoinformatics Exploration Inc. (TSX-V) and Lihir Gold Ltd (ASX, NASDAQ).

Michael de Villiers B. Comm. Professional Accountant (SA)
Non-Executive Director, aged 45
Michael qualified as a Professional Accountant with Ernst & Young in Cape Town. Michael gained his experience as financial manager and Director at mining and chemicals operations in Namibia, Botswana, Ghana, Bulgaria, central Asia, Australia and the United Kingdom.

He is currently Finance Director of AIM-listed Mercator Gold plc, Norseman Gold plc and is CFO of Eurasia Mining plc, and was previously the Finance Director of Oxus Gold plc and Navan Mining plc.

David Reading BSc (Hons) MSc
Non-Executive Director, aged 52
David Reading joined the Board in May 2008. He is Chief Executive Officer of European Goldfields Limited, a position he has held since September 2004. Prior to this, he was General Manager of Exploration at Randgold Resources Limited, the London and NASDAQ listed gold miner, and had been a core member of their executive management team since its incorporation in 1995. He has been responsible for geological and exploration activities which includes a successful track record in discovery and the development of new business opportunities. Before this he was consulting geologist for RSA mines at Randgold and Exploration and spent seven years in exploration and mining with Anglo American Corporation. His experience is broad based and includes involvement in feasibility studies and due diligence work in Africa, Europe, North and South America and Australasia.

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A K Sener
M A Etheridge
M J de Villiers
D J R Reading

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10 Finsbury Square
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NOMINATED ADVISOR
Beaumont Cornish Limited
10–12 Copthall Avenue
London EC2R 7DE

PR ADVISOR
Bankside Consultants Limited
1 Frederick's Place
London EC2R 8AE

REGISTRARS
Computershare Investor Services PLC
P O Box 82
The Pavilions
Bridgwater Road
Bristol BS99 3FA

SENIOR STAFF

William Payne BA (Hons) ACA
Chief Financial Officer, aged 43
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 Sener BA MA
General Manager, aged 64
Erhan is a Turkish national and has 37 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 45
Uğur is a Turkish national and has 21 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 Kisladag gold mine in western Turkey.

Muhanned Arar BSc MSc
Projects Manager, aged 47
Muhanned is a Turkish and Jordanian national and has 23 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.

Bülent Yilmaz BSc
Tenement Manager, aged 38
Bülent is a Turkish national and has 16 years operational experience in the mining sector in Turkey. Bülent graduated in Mining Engineering from Dokuz Eylul University in 1992. After spending his early career on several open-pit and underground mining operations for Turkish companies, he spent four years with the Turkish subsidiary of Anatolia Minerals Development Ltd. in the licence management department and latterly as the Official Permits and Purchasing Manager. He is responsible for managing the administrative and legal requirements of exploration/operational licences, applications and formal reporting for licences, in addition to organising environmental and other operational permits for our projects. He is a member of the Chamber of Mining Engineers of Turkey.

Prof. Hüseyin Yilmaz BSc (Hons) PhD
Consultant Geologist, aged 58
Hüseyin is a Turkish and Australian national with 31 years experience in geological research and mineral exploration. He graduated with a first-class BSc (Hons) in Geology from Dokuz Eylul University in Izmir and with a PhD from the University of Western Ontario in Canada. He then lectured in Geology at Dokuz Eylul 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 2001-2008 he was Professor of Economic Geology at Dokuz Eylul University in Izmir and has contributed several peer-reviewed papers on the geology and exploration science of gold mineralisation in Turkey.

REPORT OF THE DIRECTORS

For the year ended 31 December 2007

The directors present their report with the audited financial statements of the Company and the Group for the year ended 31st December 2007.

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 4 to 9.

Dividends

No dividends will be distributed for the year ended 31st December 2007 and the retained loss has been transferred to reserves.

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 J de Villiers	
M A Etheridge	
S J Poulton	(resigned – 1 April 2007)
D J R Reading	(appointed – 12 May 2008)

The beneficial interests of the directors holding office on 31st December 2007 in the ordinary issued share capital of the Company were as follows:

	2007	2006
M J Spriggs	**237,500**	112,500
A K Sener	**2,500,000**	2,270,800
M J de Villiers	**1,076,000**	201,000
M A Etheridge	**1,083,333**	83,333

Share options and warrants

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

Director	**2007**	2006
M J Spriggs	**670,867**	629,200
A K Sener	**728,623**	652,223
M J de Villiers	**468,667**	195,000
M A Etheridge	**528,333**	195,000
Total	**2,414,490**	1,671,423

Share capital
The authorised share capital of the Company at 31st December 2007 was £5,000,000 divided into 500,000,000 ordinary shares of 1 pence each.

Section 89(1) 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.

In September 2007 the board used this authority up to a nominal amount of £243,267 pursuant to the issue of 24,326,700 ordinary shares and 8,108,900 warrants for a fundraising.

On 12 May 2008 the board used this authority up to a nominal amount of £185,710.16 pursuant to the issue of 18,571,016 ordinary shares for a placing raising of £928,550 before costs.

On the 13 May 2008 the board used this authority up to a nominal amount of £30,000 pursuant to the issue of 3,000,000 ordinary shares for the purchase of the Tavsan project.

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.

Substantial share interests
The Company had been notified of the following interests in Shares held on 19 May 2008:

Shareholder	Ordinary Shares	%
European Goldfields Limited	18,571,016	20.67
Starvest PLC	16,456,000	18.31
P & N Curtis Esq	6,600,000	7.35
Williams De Broe	3,259,800	3.63
HSBC Global Custody Nominee (UK) Ltd	2,801,233	3.12
Wills & Co	2,774,605	3.09
A K Sener Esq	2,500,000	2.95
Water House Securities	2,063,433	2.30

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 2007 were 30 days.

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

Going concern
The directors confirm that they are satisfied 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.

REPORT OF THE DIRECTORS CONTINUED

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 Group 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 2006. 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.

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 Chief Executive, 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.

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
9 June 2008

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 31 December 2007 which comprise the principal accounting policies, the Group income statement, the Group and Parent Company balance sheets, the Group and Parent Company cash flow statements, the Group and Parent Company statements of changes in members' equity, the Group and Parent Company statement of recognised income and expense 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, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

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. The other information comprises only the Directors' Report, the Chairman's Statement and the Business 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 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 Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of its loss for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 December 2007;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
London
9 June 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Administrative costs		**(516)**	(424)
Investment income		**65**	69
Loss before tax	4	**(451)**	(355)
Tax	6	**–**	–
Loss for the year attributable to equity shareholders of the company		**(451)**	(355)
Earnings per share:			
Basic and diluted loss per share (pence)	8	**0.84**	0.86

Continuing operations

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

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET

For the year ended 31 December 2007

	Note	**31 December 2007 £'000**	31 December 2006 £'000
Assets			
Non-current assets			
Trade and other receivables	12	**124**	124
Intangible assets	9	**2,082**	1,297
Land, property, plant and equipment	10	**45**	42
Total non-current assets		**2,251**	1,463
Current assets			
Trade and other receivables	13	**179**	128
Cash and cash equivalents		**1,182**	1,547
Total current assets		**1,361**	1,675
Total assets		**3,612**	3,138
Equity			
Called up share capital	15	**713**	470
Share premium		**3,419**	2,738
Other reserves		**720**	720
Share options		**7**	7
Translation reserve		**38**	(11)
Retained earnings		**(1,442)**	(991)
Total equity		**3,455**	2,933
Liabilities			
Current liabilities			
Trade and other payables	14	**157**	205
Total current liabilities		**157**	205
Total equity and liabilities		**3,612**	3,138

The financial statements were approved by the board of directors and authorised for issue on 9 June 2008. They were signed on its behalf by:

M J Spriggs
Chairman

A K Sener
Managing Director

The accompanying notes form part of these financial statements.

COMPANY BALANCE SHEET

For the year ended 31 December 2007

	Note	**31 December 2007 £'000**	31 December 2006 £'000
Assets			
Non-current assets			
Investments	11	**217**	217
Total non-current assets		**217**	217
Current assets			
Trade and other receivables	13	**2,905**	2,390
Total current assets		**2,905**	2.390
Total assets		**3,122**	2,607
Equity			
Called up share capital	15	**713**	470
Share premium		**3,419**	2,738
Share options		**7**	7
Retained earnings		**(1,017)**	(623)
Total equity		**3,122**	2,592
Liabilities			
Current liabilities			
Trade and other payables	14	**–**	15
Total current liabilities		**–**	15
Total equity and liabilities		**3,122**	2,607

The financial statements were approved by the board of directors and authorised for issue on 9 June 2008. They were signed on its behalf by:

M J Spriggs
Chairman

A K Sener
Managing Director

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

	Share capital £'000	Share premium £'000	Other reserves £'000	Share options £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
Changes in equity to 31 December 2006							
Balance at 1 January 2006 as previously reported	315	966	720	–	–	(636)	1,365
Loss for the year	–	–	–	–	–	(355)	(355)
Total recognised income and expenditure for the year	–	–	–	–	–	(991)	1,010
Foreign currency translation differences	–	–	–	–	(11)	–	(11)
Share based payments	–	–	–	7	–	–	7
Issue of share capital	155	1,854	–	–	–	–	2,009
Expenses offset against share premium	–	(82)	–	–	–	–	(82)
Balance at 31 December 2006	470	2,738	720	7	(11)	(991)	2,933
Changes in equity to 31 December 2007							
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(451)**	**(451)**
Total recognised income and expenditure for the year	**–**	**–**	**–**	**–**	**–**	**(451)**	**(451)**
Foreign currency translation differences	**–**	**–**	**–**	**–**	**49**	**–**	**49**
Issue of share capital	**243**	**729**	**–**	**–**	**–**	**–**	**972**
Expenses offset against share premium	**–**	**(48)**	**–**	**–**	**–**	**–**	**(48)**
Balance at 31 December 2007	**713**	**3,419**	**720**	**7**	**38**	**(1,442)**	**3,455**

The accompanying notes form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

	Share capital £'000	Share premium £'000	Share options £'000	Retained earnings £'000	Total £'000
Changes in equity to 31 December 2006					
Balance at 1 January 2006 as previously reported	315	966	7	(320)	968
Loss for the year	–	–	–	(303)	(303)
Total recognised income and expenditure for the year	–	–	–	(623)	665
Issue of share capital	155	1,854	–	–	2,009
Expenses offset against share premium	–	(82)	–	–	(82)
Balance at 31 December 2006	470	2,738	7	(623)	2,592
Changes in equity to 31 December 2007					
Loss for the year	**–**	**–**	**–**	**(394)**	**(394)**
Total recognised income and expenditure for the year	**–**	**–**	**–**	**(394)**	**(394)**
Issue of share capital	**243**	**729**	**–**	**–**	**972**
Expenses offset against share premium	**–**	**(48)**	**–**	**–**	**(48)**
Balance at 31 December 2007	**713**	**3,419**	**7**	**(1,017)**	**3,122**

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Cash flows from operating activities			
Cash generated from operations	16a	**(548)**	(393)
Net cash outflow from operations		**(548)**	(393)
Cash flows from investing activities			
Purchase of land, property, plant and equipment		**(25)**	(26)
Payments for intangible assets		**(770)**	(788)
Interest received		**54**	56
Net cash used in investing activities		**(741)**	(758)
Cash flows from financing activities			
Proceeds from issue of share capital		**924**	1,927
Net cash proceeds from financing activities		**924**	1,927
Net (decrease)/increase in cash and cash equivalents		**(365)**	776
Cash and cash equivalents at beginning of year		**1,547**	771
Cash and cash equivalents at end of year		**1,182**	1,547

The accompanying notes form part of these financial statements.

COMPANY CASH FLOW STATEMENT

For the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Cash flows from operating activities			
Cash generated from operations	16b	**(924)**	(1,927)
Net cash outflow from operations		**(924)**	(1,927)
Cash flows from financing activities			
Proceeds from issue of share capital		**924**	1,927
Net cash proceeds from financing activities		**924**	1,927
Net (decrease)/increase in cash and cash equivalents		**–**	–
Cash and cash equivalents at beginning of year		**–**	–
Cash and cash equivalents at end of year		**–**	–

All bank transactions are undertaken by Ariana Exploration and Development Limited on behalf of Ariana Resources plc.

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2007

1. General information

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

Ariana Resources plc's consolidated financial statements are presented in Pounds Sterling (£), which is also the functional currency of the parent company.

Basis of preparation

Prior to 2007, the Group prepared its audited financial statements and unaudited interim financial statements under UK Generally Accepted Accounting principles (UK GAAP). From 1 January 2007, the Group consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The 2007 annual financial statements include comparatives for 2006, and as the Group's date of transition to IFRS is 1 January 2006, the 2006 comparatives have been restated for compliance with IFRS.

An exercise to assess the full impact that the change to IFRS has had on the Group's and Company's reported equity, reported losses and accounting policies, has been completed. In preparing its opening IFRS balance sheet, the Group and Company have made adjustments to disclosures reported previously in financial statements prepared in accordance with its previous basis of accounting (UK GAAP). However, adoption of IFRS resulted in no changes in the reported numbers from UK GAAP, and no reconciliations are therefore presented.

The financial information for the twelve months ended 31 December 2006 has been derived from the Group's audited financial statements for the period as filed with the Registrar of Companies and adjusted for the transition to IFRS. It does not constitute the financial statements for that period. The auditor's report on the statutory financial statements for the year ended 31 December 2006 was unqualified and did not contain any statement under Section 237(2) or (3) of the Companies Act 1985.

The separate financial statements of the Company are presented as required by the Companies Act 1985. As permitted by that Act, the separate financial statements have been prepared in accordance with IFRS.

These financial statements have been prepared under the historical cost convention, and the accounting policies have been applied consistently throughout the Group.

New IFRS accounting standards and interpretations not yet adopted

The directors together with their advisers are in the process of evaluating the impact of standards and interpretations that have not yet become effective. Listed below are those standards and interpretations most likely to impact the Group:

- IAS 1 Presentation of Financial Statements (revised 2007) (effective 1 January 2009)
- IAS 23 Borrowing Costs (revised 2007) (effective 1 January 2009)
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008) (effective 1 July 2009)
- Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective 1 January 2009)
- IFRS 3 Business Combinations (Revised 2008) (effective 1 July 2009)
- IFRS 8 Operating Segments (effective 1 January 2009)
- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions (effective 1 March 2007)

IFRS 8 Operating Segments replaces the segmental reporting requirements of IAS 14 Segment Reporting. The key change is to align the determination of segments in the financial statements with that used by management in their resource allocation decisions. This standard is not expected to have significant impact on existing disclosure.

The amendment to IAS 1 Presentation of Financial Statements released in September 2007 redefines the primary statements and expands on certain disclosures within these. Once adopted the Group's primary statements will be amended to reflect the presentation required.

Based on the Group's current business model and accounting policies it is felt that the other standards and/or interpretations are unlikely to have a material impact on the Group's earnings or shareholders' funds.

IFRS 1 First time adoption of IFRS: The Group has elected the business combinations exemption, which allows it not to restate business combinations prior to 1 January 2006.

The Group has elected to apply the transitional provisions under IFRS 6 which permits the existing accounting policy under UK GAAP for accounting for and capitalisation of mineral exploration costs, to be used for IFRS purposes.

The Group has chosen not to restate items of property, plant and equipment to fair value at the transition date.

1. General information continued

Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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 has chosen not to restate this transaction under IFRS 1.

The results of subsidiaries acquired or disposed of are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Income and expense recognition

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

Foreign currency translation

- **Functional and presentation currency**
  Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Sterling, which is the Group's presentation currency. This is also the functional currency of the Group and Company and is considered by the board also to be appropriate for the purposes of preparing the Group financial statements.

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

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

  – monetary assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet. Non-monetary items are measured at the exchange rate in effect at the historical transaction date and are not translated at each balance sheet date;

  – income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transaction); and

  – all resulting exchange differences are recognised as a separate component of equity. On consolidation, exchange differences arising from the translation of monetary items receivable from foreign subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Property, plant and equipment

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. General information continued

Significant accounting policies continued

Intangible assets

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

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

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

Impairment of tangible and intangible assets

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Tangible assets

Depreciation is provided on a straight line basis at the following annual rates in order to write off each asset, other than freehold land, over its estimated useful life.

Computer equipment	– between 25% and 33%
Fixtures and fittings	– between 5% and 33%
Motor vehicles	– between 20% and 25%

Deferred tax

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

Financial instruments

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

Cash and cash equivalents

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

1. General information continued

Financial liabilities and equity instruments

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

Trade payables

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

Equity instruments

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

Share-based payments

For such grants of share options, the fair value as at the date of grant is calculated using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that are likely to vest, except where forfeiture is only due to market-based conditions not achieving the threshold for vesting.

Pensions

The Group pays contributions to the personal pension schemes of some employees. These contributions are charged to the income statement in the year in which they become payable.

Accounting estimates and judgements

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

- **Capitalised mining costs**
  The recovery of the value of the Group's exploration mining projects is reviewed in the light of future production estimates based upon ongoing geological studies. Over the longer term the actual mineable resources achieved may vary significantly from the current estimates. The Group periodically updates estimates of resources in respect of its exploration mining projects and assesses those for indicators of impairment relating to its capitalised costs.

- **Carrying value of property, plant and equipment**
  The Group monitors internal and external indicators of impairment relating to its property, plant and equipment. Management has considered whether any indicators of impairment have arisen over certain assets. After assessing these, management has concluded that no impairment has arisen in respect of these assets during the year and subsequently.

- **Useful lives of tangible assets**
  Plant and equipment are depreciated over their useful lives. Useful lives are based on management's estimates and are periodically reviewed for continued appropriateness.

- **Fair value of financial instruments**
  The Group determines the fair value of financial instruments that are not quoted, based on estimates using present values or other valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows.

- **Share-based payments**
  In order to calculate the charge for share-based payments as required by IFRS 2, the Group makes estimates principally relating to assumptions used in its option-pricing model as set out in note 15.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. Staff costs

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Wages and salaries	**160**	130	**143**	115
Social security costs	**5**	9	**4**	7
Share based payments (option scheme)	**–**	7	**–**	7
Pension costs	**5**	21	**5**	21
	170	167	**152**	150

Total staff costs, including those capitalised within intangible assets, amounts to £381,000 (2006: £293,000). The average monthly number of employees (including executive directors) during the year was as follows:

	Group 2007 Number	Group 2006 Number	Company 2007 Number	Company 2006 Number
Exploration activities	**15**	15	**1**	2
Administration	**4**	3	**3**	3
	19	18	**4**	5

3. Directors' emoluments

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Basic salary and fees	**167**	173	**167**	173
Compensation for loss of office	**25**	30	**25**	30
Pension contributions	**5**	21	**5**	21
	197	224	**197**	224
The emoluments of the acting Chairmen were	**73**	28	**73**	28
The emoluments of the highest paid Director were	**73**	45	**73**	45

Key management personnel consist of only the directors. The details of share options and interests in the Company's shares of each director is shown in the Directors' Report on page 12.

	Year	Salary	Fees	Pension	Compensation for loss of office	Total
Michael Spriggs	**2007**	**73**	**–**	**–**	**–**	**73**
	2006	28	–	–	–	28
Kerim Sener	**2007**	**45**	**–**	**5**	**–**	**50**
	2006	44	–	8	–	52
Mike Etheridge	**2007**	**15**	**–**	**–**	**–**	**15**
	2006	11	–	–	–	11
Michael de Villiers	**2007**	**15**	**5**	**–**	**–**	**20**
	2006	11	–	–	–	11
Steven Poulton	**2007**	**14**	**–**	**–**	**25**	**39**
	2006	45	–	8	–	53
Matthew Grainger	**2007**	**–**	**–**	**–**	**–**	**–**
	2006	34	–	5	30	69

4. Operating loss

The operating loss is stated after charging:

	2007 £'000	2006 £'000
Depreciation – owned assets	**2**	6
Loss on disposal of property, plant and equipment	**5**	–
Operating lease – office rental	**1**	8
Net foreign exchange losses	**23**	23
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**10**	10
Fees payable to the Company's auditors for other services:		
The audit of the Company's subsidiaries	**2**	2
Other services pursuant to legislation	**3**	1

5. Segmental analysis

In the opinion of the directors the operations of the Group comprise one class of business being the exploration and development of gold and other minerals. The Group's main operations are located within the geographical markets of the United Kingdom and Turkey.

	Loss for the year		Net assets	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
United Kingdom	**424**	317	**1,051**	1,450
Turkey	**26**	37	**2,403**	1,480
British Virgin Islands	**1**	1	**1**	3
	451	355	**3,455**	2,933

6. Tax

Analysis of the tax charge

The Group has incurred tax losses for the year and a corporation tax charge is not anticipated. No liability to UK corporation tax arose on ordinary activities for the year ended 31st December 2007 nor for the year ended 31st December 2006.

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:

	2007 £'000	2006 £'000
Group loss on ordinary activities before tax	**(451)**	(355)
Losses from ordinary activities on overseas subsidiaries	**27**	38
Loss on ordinary activities on UK operations	**(424)**	(317)
Loss on ordinary activities multiplied by the standard rate of corporation tax,in the UK of 30% (2006 – 30%)	**(127)**	(95)
Effects of:		
Disallowable expenses	**1**	–
Depreciation in excess of capital allowances	**2**	2
Losses to carry forward	**124**	93
Current tax charge	**–**	–

The Group has losses carried forward on which no deferred tax assets are recognised. The deferred tax assets related to these losses have not been recognised in the financial statements as the recovery of this benefit is dependent on the future profitability of certain subsidiaries, the timing of which cannot be reasonably foreseen. Total tax losses carried forward amount to £990,000 (2006: £441,000), £964,000 (2006: £414,000) of which relate to the UK companies, with the balance arising in connection with the affairs of the Turkish subsidiary.

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 £394,000 (2006: £303,000).

8. Loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary shareholders of £451,000 (2006: £355,000) divided by the weighted average number of shares in issue during the year 53,488,941 (2006: 41,404,229). There is no dilutive effect of share options or warrants on the basic loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

9. Intangible assets

Group	Deferred exploration expenditure £'000
Cost	
At 31st December 2005	498
Additions	799
At 31st December 2006	1,297
Additions	785
At 31st December 2007	**2,082**
Net book value	
At 31st December 2005	498
At 31st December 2006	1,297
At 31st December 2007	**2,082**

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

10. Land, property, plant & equipment

Group	Land £'000	Computer equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	Totals £'000
Cost					
At 31st December 2005	–	–	20	24	44
Additions	–	10	6	10	26
At 31st December 2006	–	10	26	34	70
Additions	12	3	–	10	25
Disposals		–	(16)	(3)	(19)
At 31st December 2007	**12**	**13**	**10**	**41**	**76**
Depreciation					
At 31st December 2005	–	–	5	6	11
Charge	–	2	7	8	17
At 31st December 2006	–	2	12	14	28
Charge for year	–	2	4	11	17
Disposals	–	–	(12)	(2)	(14)
At 31st December 2007	**–**	**4**	**4**	**23**	**31**
Net book value					
At 31st December 2005	–	–	15	18	33
At 31st December 2006	–	8	14	20	42
At 31st December 2007	**12**	**9**	**6**	**18**	**45**

The Group's land, property, plant and equipment are free from any mortgage or charge. None of the Group's land, property, plant and equipment is owned by the Company.

11. Fixed asset investments

Company	Shares in group undertakings £'000
Cost	
At 1st January and 31st December 2007	217
Net book value	
At 31st December 2007 and 31st December 2006	217

The Company's investments at the balance sheet date comprise 100% ownership of the ordinary share capital of the following companies:

Subsidiaries

Ariana Exploration and Development Limited	Portswood Resources Limited	Galata Madencilik San ve Tic Ltd
Country of incorporation: United Kingdom	**Country of incorporation:** British Virgin Isles	**Country of incorporation:** Turkey
Nature of business: Exploration	Holding company	Exploration

12. Non-current trade and other receivables

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Other receivables	**124**	124	**–**	–

Other receivables falling due after more than one year represent amounts due from the government of Turkey in respect of VAT relating to the Group's mining projects. These amounts are due for repayment between 2011 and 2012, and their fair value is not materially different to the carrying value presented.

13. Trade and other receivables

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Amounts owed by group undertakings	**–**	–	**2,905**	2,390
Other receivables	**138**	92	**–**	–
Prepayments	**41**	36	**–**	–
	179	128	**2,905**	2,390

The fair value of trade and other receivables is not materially different to the carrying values presented.

14. Trade and other payables

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Trade and other payables	**80**	97	**–**	–
Social security and other taxes	**12**	14	**–**	–
Accruals and deferred income	**65**	94	**–**	15
	157	205	**–**	15

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

15. Called up share capital

Authorised

Number	Class	Nominal value	2007 £'000	2006 £'000
500,000,000	Ordinary	0.01	**5,000**	5000

Allotted, issued and fully paid

Number	Class	Nominal value	2007 £'000	2006 £'000
71,284,062	Ordinary	0.01	**713**	470

Share Capital

In September 2007 the Company allotted shares with an aggregate nominal value of £243,267 for a total consideration of £973,068 as follows:

Nature of consideration	Price per Share	Number	Share Capital £'000	Share Premium £'000
Cash	4 pence	24,326,700	243	729

Warrants

As part of the September 2007 share placing, the Company issued one warrant for every three ordinary shares issued. Each full warrant entities the holder to subscribe for an ordinary share at a subscription price of 8p (at the discretion of the holder) for a period of three years from the date of issue.

Potential issue of ordinary shares

Share options and warrants

At the 31st December 2007 the Company had 3,441,000 options and 8,644,882 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 December 2007
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
1st September 2006	1st September 2006	1st September 2016	13p	300,000	300,000
Total				**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
21st November 2007	21st November 2007	20th November 2010	8p	8,108,900	8,108,900
Total				**8,644,882**	**8,644,882**
Total contingently issuable shares				**12,085,882**	**12,085,882**

Costs associated with options issued during the year

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

	2007	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:

	2007 £'000	2006 £'000
Employee benefits (note 2)	–	7

16. Notes to the cash flow statement

(a) Cash generated from Group operations

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

	2007 £'000	2006 £'000
Operating loss for the year	**(516)**	(424)
Adjusted for:		
Depreciation	**2**	6
Loss on disposal of property, plant and equipment	**5**	–
Share based payments	**–**	7
Operating income before working capital changes		
Change in trade and other receivables	**(40)**	(108)
Change in trade and other payables	**(48)**	137
Foreign exchange differences	**49**	(11)
Cash generated from Group operations	**(548)**	(393)

(b) Cash generated from Company operations

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

	2007 £'000	2006 £'000
Operating loss for the year	**(394)**	(303)
Adjusted for:		
Share based payments	**–**	7
Operating income before working capital changes		
Change in trade and other receivables	**(515)**	(1,646)
Change in trade and other payables	**(15)**	15
Cash generated from Company operations	**(924)**	(1,927)

17. Contingent liabilities

The Group had no contingent liabilities at 31st December 2007 or 31st December 2006.

18. Operating lease arrangements

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

	2007 £'000	2006 £'000
Within one year	**21,670**	16,680

19. Capital commitments

The Group had authorised capital commitments amounting to £213,000 (2006: £Nil) and no unauthorised capital commitments as at 31st December 2007.

20. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in the note.

Ariana Resources plc is the beneficial owner and controls the following companies and as such are considered related parties:

Ariana Exploration & Development Limited
Portswood Resources Limited
Galata Madencilik San ve Tic Ltd

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

Loans payable by Ariana Exploration and Development Limited and Galata Madencilik San ve Tic Ltd to Ariana Resources plc amounted to £2,848,512 (2006: £2,326,843) and £55,114 (2006: £26,113) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

21. Events after the balance sheet date
On 4 April 2008 the Company purchased 100% of the Tavsan Project from Odyssey for combination of shares and cash.

On 21 April 2008 the Company finalised a joint venture agreement with European Goldfields Limited along with a placing of 18,571,016 shares for £928,550 before costs.

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

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

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

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

Liquidity risk
The Group and Company seek to manage financial risk to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Where appropriate the board will seek additional funds from the issue of share capital and warrants.

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

The carrying amount of the Group's and Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Group		Company	
Turkish Lira	**2007 £'000**	2006 £'000	**2007 £'000**	2006 £'000
Trade and other receivables	**263**	210	**–**	–
Cash and cash equivalents	**60**	57	**–**	–
Trade and other payable	**(46)**	(117)	**–**	–
	277	150	**–**	–

Rates of exchange	**Lira**
31st December 2007	- 2.3524
31st December 2006	- 2.7920
31st December 2005	- 2.3307

22. Financial instruments continued

Foreign currency sensitivity

The Group and Company are mainly exposed to movements in Turkish Lira.

The following table details the Group and Company sensitivity to a +/- 20% change in Pounds Sterling against the Turkish Lira. Both of these percentages have been determined based on the market movements in exchange rates in the previous three years. The sensitivity analyses of the Group and Company exposure to foreign currency risk at the reporting date have been determined based on the change taking place at the beginning of the financial year and held constant throughout the reporting period. Profits or losses arising on revaluing monetary assets and liabilities are taken to the translation reserve on consolidation.

	Group		Company	
	2007 £'000	2006 £'000	**2007 £'000**	2006 £'000
+ 20% increase in Sterling				
Profit/(loss) on translation	**(46)**	(24)	**–**	–
- 20% decrease in Sterling				
Profit/(loss) on translation	**69**	37	**–**	–

Borrowing facilities and interest rate risk

The Group and Company finance their 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 September 2007 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.

	Group		Company	
	2007 £'000	2006 £'000	**2007 £'000**	2006 £'000
Floating interest rate (by reference to bank base rate)	**1,149**	1,509	**–**	–
Zero interest rate (short term deposits)	**33**	38	**–**	–
	1,182	1,547	**–**	–

Interest rate sensitivity

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

	Change in rate	Group 2007 £'000 Effect on loss	Company 2007 £'000
Sterling	+3%	34	–
	+2%	22	–
	+1%	11	–
Sterling	-1%	(11)	–
	-2%	(22)	–
	-3%	(34)	–

Fair values of financial instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

22. Financial instruments continued

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date.

For receivables and payables with a remaining life of less than one year, the notional amount is deemed to reflect fair value. All other receivable and payables are discounted to determine the fair value.

	Carrying amount		Fair values	
	2007 £'000	2006 £'000	**2007 £'000**	2006 £'000
Non current assets				
Trade and other receivables	**124**	124	**102**	102
Current assets				
Trade and other receivables	**179**	128	**179**	128
Cash and cash equivalents	**1,182**	1,547	**1,182**	1,547
Trade and other payables	**157**	205	**157**	205

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

NOTICE OF THE 2008 ANNUAL GENERAL MEETING OF ARIANA RESOURCES PLC

Notice is hereby given that the 2008 Annual General Meeting of the Company will be held at The East India Club, 16 St James's Square, London, SW1Y 4LH on 9 July 2008 at 11.00 a.m. to transact the following business of the Company.

1. To receive and adopt the Directors' Report and the financial statements for the year ended 31 December 2007 and the report of the auditors thereon (the "Accounts").
2. To re-elect M J Spriggs as a director, who is retiring by rotation.
3. To re-elect A K Sener as a director, who is retiring by rotation.
4. To re-elect M J De Villiers as a director, who is retiring by rotation.
5. To re-elect M A Etheridge as a director who is retiring by rotation.
6. To re-elect D J Reading as a directorwho was appointed during the year.
7. To re-appoint Grant Thornton UK LLP as auditors and to authorise the Directors to fix their remuneration.
8. 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 be and are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 ("the Act"), in substitution for all previous powers granted to them, to exercise all the powers of the Company to allot and make offers to allot relevant securities (within the meaning of Section 80(2) of the Act) up to an aggregate nominal amount £[amount]; such authority shall, unless previously revoked or varied by the Company in general meeting, expire on the conclusion of the Annual General Meeting of the Company to be held in 2008 provided that the Company may, at any time before such expiry, make an offer or enter into an agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities pursuant to any such offer or agreement as if the authority conferred hereby had not expired.
9. As special business to consider and if thought fit to pass the following resolution which will be proposed as a Special Resolution.

   THAT the directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 ("the Act"), in substitution for all previous powers granted thereunder, to allot equity securities of up to an aggregate nominal amount of £1,000,000 (within the meaning of Section 94 of the Act) for cash pursuant to the authority granted by resolution 8 above as if Section 89(1) of the Act did not apply to any such allotment provided that this power shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2009, save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired.
10. As special business to consider and if thought fit to pass the following resolution which will be proposed as a Special Resolution.

    THAT the articles of association of the Company be amended as follows:

    10.01 The wording "to 1989" be deleted on the front page and on page 1 and replaced by the wording "to 2006".

    10.02 The wording "as amended" be inserted after the year "1985" at clause 1.1.

    10.03 The first paragraph of Article 2.1.5 be deleted in it's entirety and replaced by:

    "save for the words standing in the first column of the table below which shall bear the meanings set opposite to them respectively in the second column thereof, words or expressions contained in these Articles shall bear the same meaning as in the Acts and words and expressions used in the Regulations have the same meanings when used in these Articles but excluding any statutory modification thereof not in force at the date of adoption by the Company of these Articles"

    10.04 The definition of "Act" in Article 2.1.5 to be amended to read as follows:

    "1985 Act" the Companies Act 1985 (as amended)

    10.05 New definitions be inserted at Article 2.1.5 as follows:

    "2006 Act" the Companies Act 2006 (as amended)

    "the Act(s)" the Companies Act 1985, the Companies Act 1989 and the Companies Act 2006, as amended in each case and so far as they are for the time being in force

    "document" includes, unless otherwise specified, any document sent or supplied in electronic form

    "electronic form" has the meaning given in section 1168 of the Companies Act

    10.06 The year "1985" be inserted before the word "Act" in the definition of "Seal" in Article 2.1.5.

10.07 The definition of "in writing" at Article 2.1.5 be deleted and replaced by:

"in writing" the representation or reproduction of words, symbols or other information in a visible form by any method or combination of methods, whether sent or supplied in electronic form or otherwise.

10.08 Article 2.1.6 be deleted in it's entirety.

10.09 The words "or extraordinary resolution shall also be effective and where for any purpose an extraordinary resolution of the Company is required a special resolution" of Article 2.1.9 be deleted. Article 2.1.9 to become Article 2.1.8.

10.10 The words "an extraordinary" be deleted and the word "special" be inserted in Article 4.1.2.

10.11 The year "1985" be inserted before the word "Act" in Article 6.1.

10.12 The words "Part V" be deleted and the word "Act" amended to "Acts" in Article 6.2.

10.13 The words "an extraordinary" be deleted and the word "special" be inserted in Article 7.

10.14 The word "Act" be amended to "Acts" in Article 7.

10.15 All references to "Act" be amended to "Acts" in Article 8.

10.16 The words "made under section 207 of the Companies Act 1989" be deleted in Article 12.1.1.

10.17 The words "under Article 167" be deleted and replaced with the words "pursuant to the Acts" in Article 27.1.3.

10.18 The word "Act" be amended to read "Acts" in Article 29.

10.19 The word "Act" be amended to read "Acts" in Articles 43.1.1, 43.1.3 and 43.2.

10.20 Article 45 be amended to read "General meetings".

10.21 Article 45.1 be deleted in it's entirety.

10.22 Article 45.2 become Article 46.1 and read and follows:

"The directors may whenever they think fit, and shall on requisition in accordance with the Acts, proceed to convene a general meeting"

10.23 The words "and a general meeting for the passing of a special resolution"

and "and in the case of special business" be deleted in Article 46.1.

10.24 A new Article 46.2 be inserted as follows:

"Where the Company has given an electronic address in any notice of meeting, any document or information relating to proceedings at the meeting may be sent by electronic means to that address, subject to any conditions or limitations specified in the relevant notice of meeting."

10.25 The word "extraordinary" be deleted in Article 49, the word "Act" to be amended read "Acts" and the year "1985" be inserted before the word "Act" in the last sentence.

10.26 The letter "(a)" be deleted and replaced by "50.1" and the letter "b" be replaced by "50.2". All references to the word "Act" in Article 50 be amended to read "Acts".

10.27 A new Article 73.2 be inserted as follows:

"Where the Company has given an electronic address in any instrument of proxy or invitation to appoint a proxy, any document or information relating to proxies for the meeting (including any document necessary to show the validity of, or otherwise relating to, the appointment of a proxy, or notice of the termination of the authority of a proxy) may be sent by electronic means to that address, subject to any conditions or limitations specified in the relevant notice of meeting."

10.28 All references to "212" be deleted and replaced by "793" and the year "2006" be inserted before the word "Act" in Article 78.

10.29 "216" be deleted and replaced by "793 and 796 of the 2006 Act" and 216(1) be deleted and replaced by "794 of the 2006 Act" in Article 78.

10.30 "212" be deleted and replaced by "793" in Articles 79.1, 79.1.1, 79.1.2, 82.1.1 and 82.1.2.

10.31 The words "Section 317 of" be deleted and the word "Act" be amended to "Acts" in Article 94.

10.32 The word "Act" be amended to "Acts" in Article 98.

10.33 The words "346(2) of the Act" be deleted and replaced by "252 of the 2006 Act" in Article 99.

10.34 All references to the word "Act" be amended to read "Acts" in Article 101.

10.35 "719" be deleted and replaced by "247" in Article 102.

10.36 The word "Act" be amended to read "Acts" in Articles 112.5,120, 121, 130.1, 131, 134, 135, 138, 140, 143, 145, 146, 155.2, 156, 158 and 159.

10.37 "238" be deleted and replaced by "423(2)" and the year "2006" be inserted before the word "Act" in Article 160.1.

10.38 All references to the word "Act" be amended to read "Acts" in Article 162 and 165.

10.39 Article 166 and 167 be deleted in their entirety.

10.40 A new Article 166 be inserted as follows:

"Communications

166.1 Nothing in this Article 166 affects any requirement imposed, or contrary provision made by or under any enactment.

166.2 Any documents or information which are authorised or required by any provision of the Acts to be sent or supplied by or to the Company must be sent or supplied in accordance with the provisions of the 2006 Act.

166.3 Subject to the provisions of the 2006 Act, the Company may make any documents or information authorised or required by any provision of the Companies Acts to be sent or supplied by the Company to any member available on a website.

166.5 Any document or information which are authorised or required by any provision of these Articles to be sent or supplied by or to the Company (and which are not authorised or required to be sent or supplied in accordance with the Companies Acts) may (unless these Articles require them to be sent or supplied in another way) nevertheless, be sent or supplied in accordance with the company communications provisions (as defined in the 2006 Act) (including, for the avoidance of doubt, in relation to documents or information to be sent or supplied by the Company to the members only, by making such documents and information available on a website).

166.6 The provisions of Section 1147 of the 2006 Act (with the exception of Sections 1147(5) and 1143 (3) of the 2006 Act, which shall not apply) shall apply to any documents or information sent or supplied by the Company.

166.7 Where any document or information is sent or supplied by electronic means and the Company is able to show that it was properly addressed it is deemed to have been delivered on the same day that it is sent.

166.8 A notice or document not sent by post but left at a registered address or address for service in the United Kingdom is deemed to be given on the day it is left.

166.9 A member present in person or by proxy at a meeting or of the holders of a class of shares is deemed to have received due notice of the meeting and, where required, of the purposes for which it was called."

10.41 A new Article 167 be inserted as follows:

"When registered address not in the United Kingdom

Any member whose registered address shall not be in the United Kingdom but has notified the Company of an address within the United Kingdom at which notices or other documents may be served on him shall be entitled to have notices served upon him at such address but otherwise no member, other than a member whose registered address is within the United Kingdom, shall be entitled to receive a notice or other document from the Company."

10.42 A new Article 168 be inserted as follows:

"Notice to joint holders

All notices or other documents directed to be given to the members shall, with respect to any share to which persons are jointly entitled, be given to whichever of such persons is named first in the Register in respect of the joint holding. Any notice or discount so given shall be sufficiently given to all the holders of such share."

10.43 Article 169 be deleted and replaced by Article 170 and to read as follows:

"Proof that a notice, document or information in electronic form was sent in accordance with the Institute of Chartered Secretaries and Administrators' Guidance (in issue at the time the relevant notice, document or information was sent) shall be conclusive evidence that the notice, document or information was sent."

10.44 "212 of the Act" be replaced by "793 of the 2006 Act" in Article 170. Article 170 to become Articles 171.

10.45 Article 171 become "Notice By Advertisement and suspension of postal services". Article 171 to become Article 172.

10.46 Reference to "Suspension of the postal services" is deleted in Article 172. Article 172 to become 172.2.

10.47 "167.1" and "167.2" be deleted and replaced by "166.5" and 166.6 in Article 173.

10.48 The word "extraordinary" be deleted and replaced by "special" and the word "Act" be amended to read "Acts" in Article 176.

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By Order of the Board
9 June 2008

Registered Office
Bridge House
London Bridge
London SE1 9QR

Michael de Villiers
Secretary

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.

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1757 map of Turkey,
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(hand coloured), owned
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