ARIANA RESOURCES plc

2010

Ariana Resources PLC
Annual Report & Accounts

Ariana at a glance: our objective

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.

- An exploration and development company focused on gold in Turkey.
- Advancing the Red Rabbit Project towards production in 2012.
- Successful trial mining completed on the core Red Rabbit Project.
- Large exploration portfolio containing seven drill-stage prospects.
- Experienced Turkish management team.
- Aiming to be the next gold producer in Turkey.

Red Rabbit Project
Advanced projects
Exploration licences

Red Rabbit JV

09 For more information on the Red Rabbit Project turn to the case study on page 09

European Goldfields JV

11 For more information on the European Goldfields JV turn to the case study on page 11

In 2009 the Company combined its two flagship assets, Sındırgı and Tavşan into one project named Red Rabbit. Both Sındırgı and Tavşan are located approximately 75km apart in a highly prospective region of western Turkey. Sındırgı and Tavşan comprise multiple individual prospects. Following successful trial mining and first gold pour, Ariana joint ventured the project with Proccea Construction Co., enabling the Company to fast track the project towards production. An Environmental Impact Assessment (EIA) and Definitive Feasibility Study (DFS) are currently underway.

In 2008 Ariana Resources entered into a joint venture agreement with European Goldfields to explore various prospects in north-eastern Turkey. European Goldfields is fully funding the exploration of a portfolio of licences which includes the Ardala Cu-Au porphyry in the Artvin Province. Exploration undertaken by the joint venture has confirmed that mineralisation extends to a newly discovered zone called Salinbaş, a high-grade system developed in the periphery of the Ardala porphyry centre.

Project pipeline

WAVE Project Area

Prospect	Remote sensing	Geological mapping	Recon. surveys	Detailed surveys
Kiziltepe	*Newmont* →		2005	2005–06
Kepez	*Newmont* →		2005	2005–06
Karakavak	*Newmont* →		2005	2005–06
Umurlar	*Newmont* →		2005	2005–06
Tavşan	*Odyssey Resources*			
Kınık (Ivrindi)	2003	2004	2004–05	2005–06
Goveli (Demirci)	*Newmont* →		2006	2006–07
Ardala (in JV)	*Anglo American*			
Salinbaş (in JV)	2008	2008	2009	2009

Decreasing risk

Where we operate: the main distribution of projects in Turkey

---- Ariana areas of operation

0 500km

1. WAVE project area
2. European Goldfields JV area
3. Tigris Resources exploration area

Our operations

The Company has a UK-based Board of Directors and a head office located in central London. In Turkey, operations are managed from an office in Ankara and regional exploration activities are coordinated from Sındırgı, which lies at the core of Ariana's key exploration and development area in western Turkey. The Turkish team comprises a dedicated country manager and senior management team, supported by a team of geologists and field technicians.

Ariana is focused on its flagship Red Rabbit Project, regional exploration programmes, the European Goldfields joint venture focused on north-eastern Turkey and exploration in eastern Turkey through its investment in Tigris Resources.

Looking ahead

- Finalise Red Rabbit Definitive Feasibility Study and Environmental Impact Assessment.
- Western Turkey target analysis and new project acquisition.
- Continue to develop the European Goldfields joint venture in north-eastern Turkey.
- Continue Turkey-wide project generation.

Exploration

12 For more information on exploration projects turn to the case study on page 12

Tigris Resources

For more information on Tigris Resources turn to page 08

Our experience over the past six years operating in Turkey has placed Ariana in an excellent position to identify new opportunities across the country. The high exploration potential of western Turkey has resulted in the development of a twofold exploration strategy aiming to discover satellite resources with the potential to feed the planned Red Rabbit processing plant, and regional exploration in pursuit of the next multi-million ounce deposit. An extensive BLEG sampling programme has been underway in western Turkey with 45,000km^2 covered in 2010.

With the majority of current exploration focused on western and north-eastern Turkey, south-eastern Turkey now represents the next frontier for gold and copper exploration in the country. Effective exploration in this region requires a unique and dedicated management capability with a focused exploration mind-set. Consequently Ariana has strategically invested in Tigris Resources. Tigris is a private exploration and development company focused on the discovery of gold and copper deposits in the highly prospective areas of south-eastern Turkey.

	Drilling	Resource estimate	Metallurgical testing	Scoping	Trial mining	Pre-feasibility	Feasibility
	Ongoing	2007–10	2007–11	2008–10	2009	Underway	Underway
	2007–09	2010	2009	2010	2010	Underway	Underway
	Planned						
	Planned						
	→	2007	2007–08	2009	2010		
	2006–07						
	2007						
→	2009–10						
	Ongoing						

► Increasing value

Ariana Resources PLC

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

Our mission

Ariana aims to deliver shareholder value through the dual strategy of developing a profitable gold mining operation and building long term value through exploration. Ariana enhances value through identifying and advancing projects rapidly through the value curve to the development stage. Ariana is targeting the discovery of a multi-million ounce gold deposit in Turkey.

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.

Content

Ariana achieved its strategic project milestones during 2010, which enabled the Company to progress the Red Rabbit Gold Project towards production. The resource base at Red Rabbit continues to increase, and focused exploration and planned acquisitions in western Turkey have the potential to grow Ariana's resource base further.

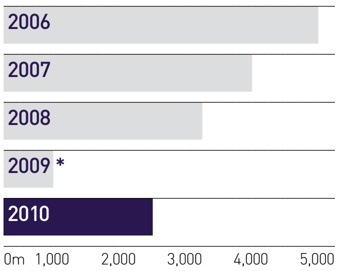
25% increase in JORC resources at the Red Rabbit Project.

Gold production from the Red Rabbit Project scheduled for 2012.

Red Rabbit Project Definitive Feasibility Study and Environmental Impact Assessment underway.

Investment in eastern Turkey focused Tigris Resources.

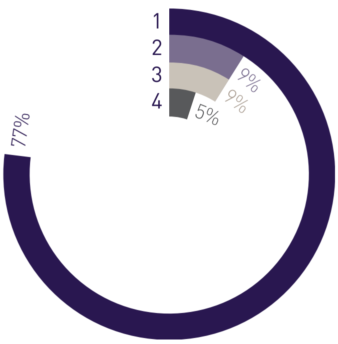
Total Diamond/RC drilling (m)



*Concentrated on trial mining, with limited focus on exploration drilling.

Current resources at 448,000 oz gold equivalent.

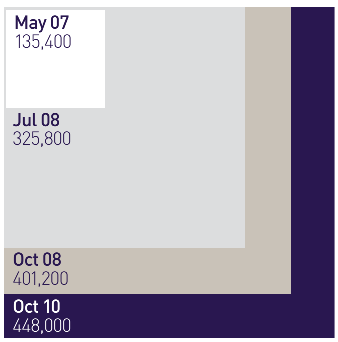
Total project expenditure 2004–2010



1 Sındırgı (Kiziltepe)
2 Tavşan
3 Reconnaissance
4 Ivrindi & Demirci

Total expenditure (£)	5.64 M

Resource growth
Figures in gold equivalent ounces



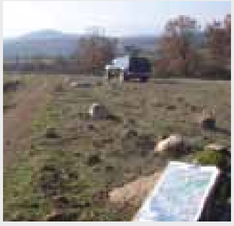
Delivering on our strategy

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

We will achieve this by:

- Focusing upon the discovery of sizeable deposits;
- building long-term relationships with local government, communities and key stakeholders;
- continuing to develop a strong team with excellent commercial, technical and financial skills;
- executing selective, high-impact exploration programmes and joint venture opportunities; and
- ensuring safe operating procedures and minimising environmental impact.

Key strategic milestones 2006–2010

	2006	2007	2008	2009	2010
Q1	 Exploration stream sediment sampling	**March** Management and Board restructured	 Trial mining on Kiziltepe	**January** Placing raises £500,000 **March** Trial mining commences on Kiziltepe	**February** Positive scoping study completed on Kiziltepe **March** Placing raises £1,000,000
Q2	**May** Placing raises £2,000,000	**May** JORC resource estimate announced for Kiziltepe: 135,000 oz **June** Exclusivity agreement signed on the 140,000 oz Tavşan Project	**May** Joint Venture established with European Goldfields, private placing raises £928,551 **June** Purchase of the Tavşan Project completed	**April** Acquisition of Muratdağ Gold Project from Newmont Mining and Lydian International **June** First gold production – 387 oz Au	 Field exploration in western Turkey
Q3	**August** Acquisition of the Demirci Gold Project from Newmont Mining Corporation	**July** Acquisition of the Ardala Copper-Gold Project **August** Shares start trading on the PLUS Market **September** Placing raises £973,068	**July** JORC resource increased at Kiziltepe: 186,000 oz	**September** Placing raises £800,000	**July** Red Rabbit JV agreement completed **August** Joint Venture company established **September** Feasibility and Environmental Studies commence
Q4	**October** Licence portfolio almost doubles in area to 1,800km^2	 Diamond drilling rig in action on Kiziltepe	**October** JORC resource estimate announced for Tavşan: 215,000 oz **November** Permitting on Kiziltepe completed	**October** MoU on JV on Red Rabbit with Proccea Construction Co.	**October** Resource increases by 25% at Kiziltepe **November** Investment in Tigris Resources

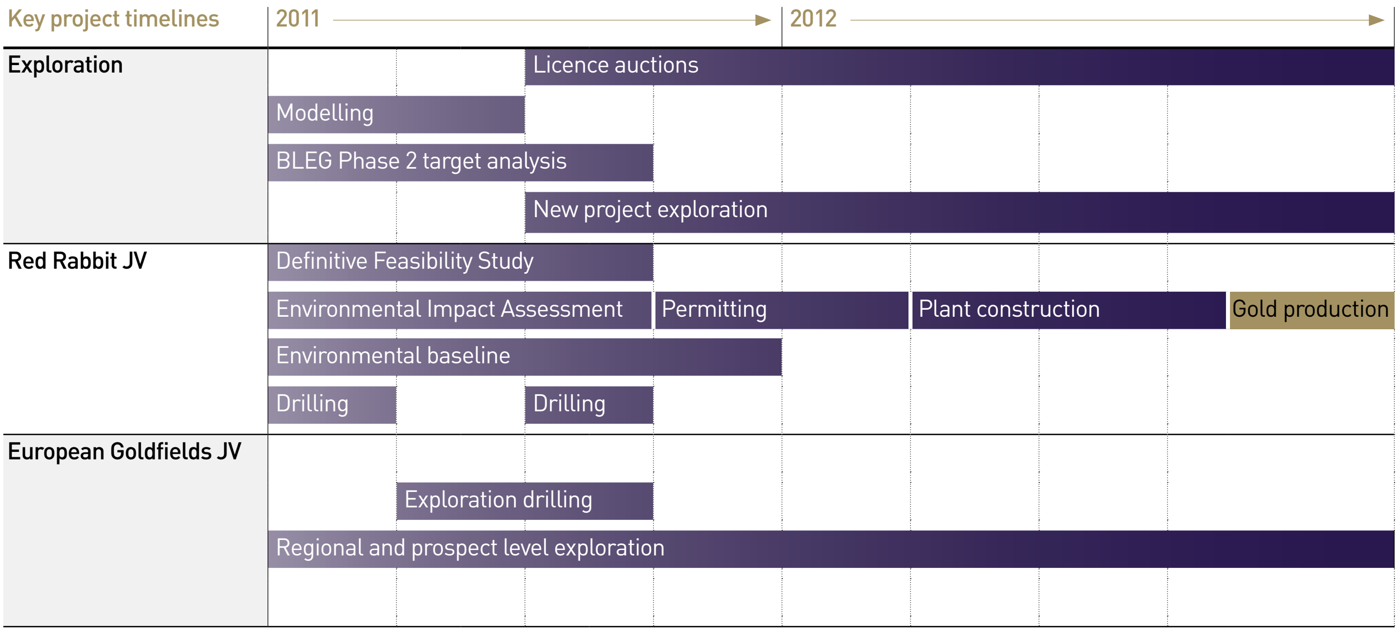
Looking ahead: near-term goals

Ariana continues to deliver against its bold operational targets, with the near-term aim of establishing a profitable gold mining operation in Turkey. Ariana is targeting the development of its core project, Red Rabbit, as an environmentally-friendly small-footprint mine in 2012.

- Fast-track the Red Rabbit Project into production;
- increase the JORC resource base of the Company;
- seek new resource development opportunities in Turkey; and
- undertake further exploration focusing on the discovery of a multi-million ounce deposit.

Plan for the years ahead

Throughout 2011 Ariana will be focusing its time on both the Red Rabbit JV and exploration in western Turkey. Regional and prospect level exploration is set to continue for both the European Goldfields JV and Tigris Resources.



Post year end news

January 2011

£5m

£5m Standby Equity Distribution Agreement (SEDA) finalised.

February 2011

£1.16m

Placing raises £1.16m.

March 2011

MoU

MoU on acquisition of the Kizilcukur and Muratdağ projects from KEFI Minerals.

Why Turkey?

Turkey lies within the globally significant Tethyan metallogenic belt which hosts some of the world's largest gold, silver and copper deposits. With favourable mining laws and a stable political and operating environment, Turkey now represents one of the most important new exploration frontiers for precious metals in the world today.

11

11 major gold deposits

23 Moz

Turkey's estimated gold resources

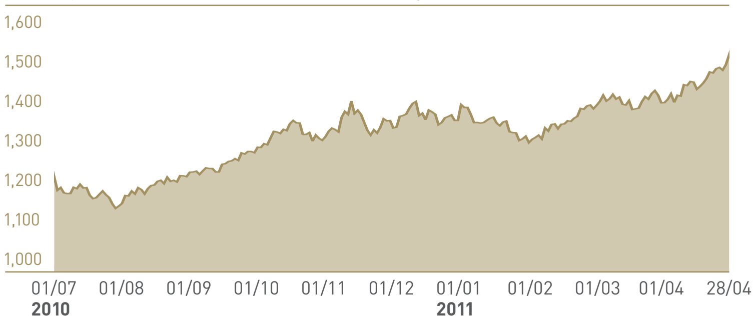
Geological opportunity

Turkey lies within a globally significant metallogenic zone, the Tethyan Eurasian Metallogenic Belt (TEMB). The TEMB extends from south-east Europe, through Turkey, Iran, Afghanistan and Pakistan and through to the Himalayas, and hosts some of the world's largest gold and copper deposits. Within Turkey, the TEMB is subdivided into the Anatolide, Pontide and Tauride metallogenic provinces. Most gold deposits in the country are of the epithermal or porphyry-related types and occur primarily in the west, within the Anatolides and in the north-east, within the Pontides. The majority of deposits are of Neogene age and are hosted by volcanic rocks.

Gold price in US$

1,502/oz

Average daily London Gold Price (US$ per ounce)



Turkey is host to some of the largest gold reserves in Europe and the deposits are typically epithermal in nature and associated with volcanic rocks. Gold mining has played a major role in the history of Anatolia, evidence of which can be seen through shallow mine workings dating back centuries at many of the country's major deposits, including those in the vicinity of Sındırgı.

Ariana, having initiated its interest in the country in 2002, was one of the first companies to enter Turkey before the recent boom in exploration activity. Not only have we maintained our first-mover advantage but we have also been integral to the development of the industry, due to our founder member status within the Turkish Gold Miner's Association.

Gold market place

In 2010, the gold bullion price averaged US$1,225/oz, 26% higher than in 2009. Paradoxically, this advance was not wholly reflected by gold's supply-demand fundamentals. According to the authoritative GFMS market survey, mine production in 2010 was a record 2,560 tonnes. The other major component, scrap supply, is estimated to have fallen slightly, reflecting anticipation of yet higher prices.

On the demand side, gold fabrication demand (jewellery and electronics applications), rose by 16% in 2010 to around 2,500 tonnes. Since their launch in 2003, gold ETFs (Exchange Traded Funds) have also grown spectacularly, advancing by almost 20% in 2010, corresponding to almost 2,200 tonnes. With increased buying in emerging markets there was a net increase in Central Bank holdings for the first time in over 20 years. The further unwinding of producer hedge positions generated additional demand, but it was the strength of investment demand – including bar hoarding and coin purchases – of over 1,600 tonnes which was the main price driver. Gold's role as a safe investment haven is being boosted by continuing concerns over the recovery of the major economies and lack of confidence in paper currencies. It is unlikely that these concerns will abate in 2011, as the major nations grapple with record deficits and growing inflationary pressures resulting from liberal monetary policies.

Unless there is a marked improvement in the global economic outlook, we believe gold should continue to advance this year, with possible – but temporary – supply-related price setbacks. The consensus view among leading market observers is that gold has established a firm base in the US$1,300–1,350/oz range and that the price upside this year could be an additional 15–20%.

Recent discoveries

The first recent discovery of gold in Turkey was made in 1988. This discovery became the first modern gold mine in the country; the 1 Moz Ovacik mine, which began production in 2001 and is now one of the most advanced in the world, maintaining the highest of environmental standards. In 2006, production started at the 10 Moz Kişladag gold mine, which has become the largest single producer of gold in Europe.

At present there are four operating gold mines in Turkey, with a further six gold deposits expected to be developed into mines in the near to medium term.
The country has estimated gold resources of over 23 Moz contained within 11 major deposits.

The legal background

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

14 Moz*

Turkey's silver production

* 2009 production figure from The Silver Institute

4th*

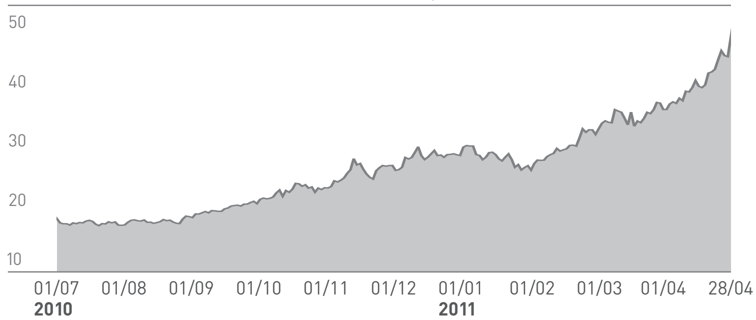
Turkey has the fourth largest silver mine in the world

* 2009 figure from The Silver Institute

Silver price in US$

38/oz

Average daily London Silver Price (US$ per ounce)



Silver is found in association with epithermal gold deposits and as a result Turkey also hosts some of the largest silver deposits in the world. Today, Gümüşköy, which is the site of Europe's largest silver mine was once host to the world's first underground silver workings dating back to 3,000BC. The Gümüşköy mine is located just 55km east of our Tavşan sector and is ranked the fourth largest producer of silver worldwide.

The Company's total silver resources currently stand at 3.6 Moz representing a 9:1 ratio between silver and gold.

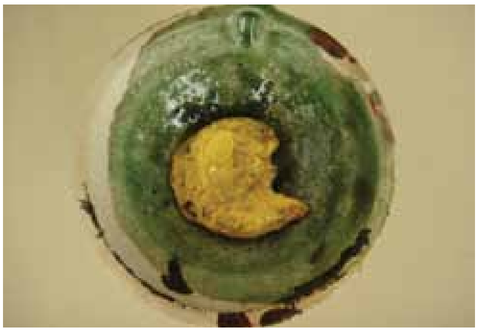
Silver market place

Silver differs from gold in having many more industrial applications in addition to its value as a precious metal. However, it is its latter role that has determined the course of the silver market over the past year. The silver price has risen even more rapidly than gold, advancing 36% in 2010 to average US$20/oz. Since then, it has moved on to new record highs of over US$48/oz, reflecting the surge in investment demand and an increase in industrial consumption. World silver mine production, accounting for nearly 80% of total supply, rose by some 3% last year to nearly 25,000 tonnes (800 Moz) with higher by-product output from gold mines. Making up the remainder, scrap supply (plus government sales), rose by over 10% in 2010. Fabrication demand grew by around 10% to some 11,000 tonnes (350 Moz) with a strong advance in industrial off-take, modest growth in jewellery demand, and record coin sales. However, it was the rise in investment demand to an all-time high of 6,500 tonnes (210 Moz) that drove the steady surge in silver prices. Increasingly, silver is assuming a safe haven role, similar to that of gold. The attraction of silver as a proxy for gold is its lower unit price, greater market volatility, and the higher investment gearing, reflecting the fact that the total value of the silver market is little more than 10% of that of gold. In parallel with gold, there has been a steady rise over the past five years in ETF silver holdings, which reached almost 16,000 tonnes (500 Moz) in 2010. Investment demand is set to grow, reflecting the same global economic and fiscal concerns and uncertainties that are driving the gold market. Mine production will grow in line with higher gold production and scrap supply should increase under the impetus of higher prices, continuing a 10-year supply growth trend. Barring any short-term setbacks, the outlook is for further price advances. Significantly, the gold: silver price ratio which from 2001–10 had averaged over 60:1 has fallen towards 40:1. We believe that, spurred by burgeoning investment demand, a silver price range of US$30–50/oz looks distinctly attainable for 2011.

Chairman's statement

During the past year we have emphatically met each of our stated objectives.

First trial gold pour.



Michael Spriggs
Chairman

The period to end-December 2010 has been an energetic and successful period for Ariana Resources. As I underlined in my report last year, Ariana has established a clear three-pronged strategy around which we intend to build our operations in Turkey: advancing to production our Red Rabbit gold-silver project; the Joint Venture (JV) with European Goldfields; and the broader regional exploration programme supported by the active search for acquisition opportunities.

We take pride in the fact that we continue to deliver what we have promised; and during the past year we have emphatically met each of our stated objectives. Ariana's gold and silver resource base has been expanded substantially (25%) to almost 450,000 oz gold equivalent. Our Red Rabbit Project is on course to become the next new Turkish gold producer during 2012; the European Goldfields JV exploration programme in north-eastern Turkey is producing exciting results and our partners continue to support the further funding of these exploration programmes.

In western Turkey, where we have a regional exploration programme, our focus continues to be the WAVE (Western Anatolian Volcanic and Extensional) province, considered one of the most highly prospective areas for major gold deposits in Turkey. Supporting the extensive regional work carried out here by our own geological team, we continue aggressively to seek suitable acquisitions in this province.

We have set running the hare that is Red Rabbit. We created this integrated project in 2009 with the decision to combine our two principal projects in western Turkey, Kiziltepe and Tavşan, into a single entity. In July 2010 we successfully negotiated a JV agreement for its phased development with Turkish construction company Proccea. Ariana received a US$500,000 goodwill payment up-front from Proccea. Proccea can earn into a 50% stake in the JV company for a commitment of US$8m. The Definitive Feasibility Study (DFS) and Environmental Impact Assessment (EIA) were formally initiated in September 2010.

In the first phase of the Red Rabbit Project, the EIA, DFS and additional permit acquisition will account for US$1.4m; in the second phase, expected to initiate in the last quarter of 2011, US$6.6m will be spent on plant construction and mine commissioning. The total capital cost of bringing Red Rabbit into production is projected at US$25m. With our JV partners we are seeking to secure the additional US$17m funding requirement through debt financing, and are in discussions with potential Turkish and international funding sources.

The scoping study on Red Rabbit, completed by consultants Wardrop Engineering, envisages a seven-year open-pit project at Kiziltepe with a throughput of 150,000 tonnes/year ore producing an average of 20,000 oz/year gold equivalent, coming into operation in 2012. This will be developed around a central pit on the Arzu South vein, with secondary pits at the nearby Arzu North, Banu, Derya and Kepez veins. Given the increase in our understanding of the deposits and the additions to resources through recently completed drilling, as well as the changes to bullion prices, the parameters of the project in terms of overall profitability, scale and mine life should continue to improve as development proceeds.

Exploration at Kiziltepe has continued and further resource expansion achieved. The completion of a reverse circulation drilling programme on the satellite veins in the Kiziltepe system has resulted in an upgrade of the existing inferred resources to the indicated category. In October 2010 we reported a 25% increase in Ariana's JORC compliant resource for Kiziltepe to 232,900 oz gold equivalent (i.e., combining the gold content with the value of the silver co-product). Significantly, the total measured and indicated component of resources increased to 206,500 oz gold equivalent. Also, all of the measured resources lie within the notional pit shapes defined at US$800/oz gold and US$14/oz silver.

The economics of this project appear highly robust: the initial modelling was based on very conservative price assumptions (as outlined above), and projected

“ Our Red Rabbit Project is on course to become the next new Turkish gold producer during 2012.

cash costs of US$441–472/oz. By the time of writing in early May 2011, the gold price had reached new highs of over US$1,535/oz. In recent months the silver price has responded in the same buoyant manner, and has risen to US$48/oz. To reflect changed market movements and expectations in both metals, the Red Rabbit pre-feasibility study, expected to be completed in Q2 2011, is therefore incorporating significantly higher base price assumptions. The inflationary pressures which are boosting these bullion prices, together with the impact of higher oil prices and other material costs undoubtedly will also push up anticipated costs. Nevertheless, the key parameters of Kiziltepe are expected to remain very attractive in terms of cash flow generation and pay-back period.

Meanwhile, Proccea are working with SGS Minerals Services in finalising the metallurgical test work to optimise processing plant design. The expected treatment route will be a conventional Carbon-in-Leach process. In parallel, in December 2010 we commenced geotechnical and hydrological drilling in preparation for the siting of the open pits, processing plant, waste dump and tailings dam.

Tavșan, the other component of Red Rabbit, though very different in character from Kiziltepe, forms an integral part of the project. To date, a JORC compliant resource of 215,000 oz gold equivalent has been outlined. Tavșan is lower grade than Kiziltepe, and a relatively shallow deposit. A preliminary economic assessment has indicated its viability as an open pit heap-leach operation with a potential output of up to 30,000 oz/year gold. The intention is to develop Tavșan in sequence, once output from Kiziltepe has peaked.

The European Goldfields JV project continues to yield very encouraging results. Following initial reconnaissance exploration in this region of north-eastern Turkey, the JV acquired the licence containing the Salinbaș prospect on which a phased programme of drilling continued during 2010. Work in this area led to the identification of wide high-grade zones in trenching and drilling. Drilling and further surface work will continue during 2011.

Throughout Turkey we retain a substantial gold licence portfolio, including seven drill-stage prospects. While Ariana's principal exploration and development focus remains in western and north-eastern Turkey, the Company has additionally made a strategic investment in private company Tigris Resources, an exploration vehicle which will provide Ariana with access to a number of attractive gold-copper properties in south-eastern Turkey, a highly prospective but much underexplored region. Via a C$115,000 private placement in 2010, Ariana acquired a 15% stake in Tigris and our Managing Director, Dr. Kerim Sener, has been appointed as a non-executive director to the Tigris board.

The Tigris placing funds will be used to tender for the next round of exploration licences which we expect to be announced this year. This move is in part a consequence of a number of revisions to the Turkish mining law which were enacted in June 2010. While we regard these changes overall as positive in providing a more robust legislative framework, they will result in modifications to the manner in which exploration and operating licences are issued and maintained. For a more detailed account of all of these exploration programmes and of the development of Red Rabbit, I would refer you to the comprehensive Business Review by Dr. Kerim Sener.

Post the reporting period, there have been two important funding developments for Ariana. In January we concluded a £5m Standby Equity Distribution Agreement (SEDA) via US-based Yorkville Advisors LLC. The SEDA is a draw-down facility that will provide the Company with a means of raising additional capital as and when required through the sale of new shares in Ariana to Yorkville. The timing of any sales is at our discretion, and will depend on various factors including the Ariana share price.

In February, we successfully completed a £1.16m funding with the placing of 24.5 million new shares at 4.75p per share. These funds, together with the SEDA facility, will provide the additional flexibility to enable us to move quickly on exploration and development opportunities meeting our stringent investment criteria. We are therefore well placed to advance our exploration strategy in the coming year, currently holding cash resources of £1.57m.

With a robust and burgeoning economy, strong financial structure and an effective and supportive mining law, Turkey remains one of the region's most attractive destinations for modern precious metals exploration. Ariana is indeed fortunate in having such a strong local presence, a deep accumulated understanding of the prospectivity of key areas of interest and such close familiarity with Turkish mining business practice. We thank our local team for their tireless enthusiasm and commitment to Ariana's exploration success. I am also extremely grateful for the support of my fellow directors: Ariana is fortunate to have on board professionals of such high calibre.

For the continuing backing shown by our shareholders, large and small, we remain enormously appreciative. We recognise that market conditions over the past year have tested this support on occasion and are deeply appreciative of their patient loyalty.

To end on a very positive note, our share price performance has improved fairly steadily in recent months, and with a gratifying increase in liquidity. As the consensus view is that the gold price strength will continue as long as global economic and financial uncertainties prevail, Ariana has established a more solid market platform as the Company advances towards gold production and towards its goal of becoming a mid-tier multi-project gold company.

I look forward to keeping you fully informed of developments during what I expect will be another exciting year for Ariana Resources. We are in the right place, with the right commodity. And we deliver.

Michael Spriggs
Chairman
17 May 2011

Business review

Ariana has continued to fast track its principal Red Rabbit Project towards production.

Dr. Kerim Sener
Managing Director

2010–2011 Highlights

July
Red Rabbit joint venture agreement completed

August
Positive Red Rabbit drilling results: Kiziltepe

Joint Venture company established

September
Definitive Feasibility Study and Environmental Studies Commence

October
Resource increases by 25% at Kiziltepe

November
Investment in Tigris Resources

December
Positive results from European Goldfields joint venture

January
£5m Standby Equity Distribution Agreement (SEDA) put in place

February
Placing raises £1.16m

March
Heads of Agreement signed for the acquisition of four exploration properties from KEFI Minerals plc

Summary

Ariana has continued to fast track its principal Red Rabbit Project towards production, whilst also structuring a robust project pipeline through extensive exploration, target generation, prospect definition and strategic exploration investment in Turkey.

Ariana's resource inventory now contains global JORC resources of 448,000 ounces gold equivalent, of which approximately 388,000 ounces are gold and 3.6 million ounces are silver.

Following trial mining at Kiziltepe in 2009, the Company made a strategic decision to create a single integrated project named "Red Rabbit" comprising our two principal projects which contain the Kiziltepe and Tavşan deposits. The strategic packaging of Kiziltepe and Tavşan, enabled the Company to enter into Joint Venture ("JV") negotiations for the development of the project area, culminating in a Memorandum of Understanding (MoU) with Proccea Construction Co. ("Proccea").

During the year this JV agreement was completed, and as part of the agreement, Proccea made a US$500,000 good-will payment to the Company. Earning in to a 50% stake in the JV company (Zenit Madencilik San. ve Tic. A.Ş.), a total of US$8m will be committed by Proccea during the phased development of the project. The development of Red Rabbit is now in its first phase with the Environmental Impact Assessment (EIA) and Definitive Feasibility Study (DFS) in progress and funded by Proccea.

Our joint venture in north-eastern Turkey with European Goldfields has continued to deliver positive exploration results from the Salinbaş and Ardala prospects. European Goldfields has committed significant funding towards these exploration programmes to determine the potential of these prospect areas.

Our own team have also been engaged in an extensive exploration strategy covering an area of 45,000km^2 in western Turkey. The aim of this exploration is primarily to identify target areas that have the potential to host multi-million ounce deposits in western Turkey. In addition to this, any resources discovered in the Red Rabbit area of interest has the potential to be sold into the Red Rabbit JV at three times the exploration cost.

With Ariana's principal exploration and development focused around western and north-eastern Turkey, the Company also made a strategic investment in Tigris Resources which focuses on the underexplored and highly prospective south-eastern region of Turkey. Ariana participated in a private placement for 2.7 million shares at a total cost of C$115,000 resulting in Ariana owning 15% of the total shares issued by Tigris Resources.

In April 2010 the Company completed a placing for £1m which was utilised for continuing exploration and development work, notably in the Red Rabbit region and across much of western Turkey.

Post period the Company also finalised a £5m Standby Equity Distribution Agreement with Yorkville Advisers LLC and raised a further £1.16m through a placing.

Core project area

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

Case study
Red Rabbit

Location	Western Turkey inclusive of the Kiziltepe and Tavşan deposits.
2011 Milestones	• Completion of the DFS • Completion of the EIA • Further resource drilling
Scoping Study (Kiziltepe)	Mine life: seven years Cash cost: US$441–472/oz Production rate: 150,000 tonnes/annum Total Resource: 2.1m tonnes In pit grade: 3.6 g/t Au, 41.6 g/t Ag Au recovery: 88% Ag recovery: 78%
Near term gold production	In 2009 Ariana Resources combined its two flagship assets, Sındırgı and Tavşan into one project named Red Rabbit. The project was joint ventured with Proccea Construction Co. in 2010. Currently an EIA and DFS are underway and the aim is to progress to the production stage during 2012.

Within the WAVE Province, the Company is focused on the "Red Rabbit Project" comprising the Sındırgı and Tavşan sectors. Other exploration projects in western Turkey include the Ivrindi and Demirci project areas. The region surrounding these projects is named the WAVE Project Area, with our base of operations in Sındırgı located strategically at its core.

In joint venture, the Company, is actively developing the Red Rabbit Project as an environmentally friendly small-footprint mine with mining expected to be initiated at the Kiziltepe deposit in late 2012.

Ariana is targeting a million ounce gold resource 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. Elsewhere, through our joint venture with European Goldfields and our strategic investment in Tigris Resources a similar strategy is being employed.

Gold equivalent Resource

448,000 oz

Mine life

7 years

Production Rate

20,000 oz Au equiv. p.a.

View looking north-east over the Kiziltepe deposit, part of the Sındırgı Sector of the Red Rabbit Project.

Table 1 – JORC resource statement for Kiziltepe and Tavşan

Area	JORC Category	Tonnage (Kt)	Grade Au (g/t)	Grade Ag (g/t)	Au (oz)	Ag (oz)	Au equiv. (oz)
Kiziltepe							
Main Veins	**Measured**	783	4.1	51.4	103,225	1,294,090	123,311
Main Veins + Kepez	**Indicated**	619	2.3	44.8	45,778	891,678	60,258
Main Veins	Inferred	165	1.8	40.9	9,549	216,993	13,101
Subs. Veins	Inferred	116	1.5	51.3	5,594	191,344	8,457
Halo	**Indicated**	353	1.6	25.8	18,160	292,842	22,954
Halo	Inferred	76	1.4	33.7	3,421	82,353	4,816
Total		2,112	2.73	43.72	185,727	2,969,300	232,897[1]
Tavşan							
Main	**Indicated**	1,700	1.6	4.2	87,460	229,582	92,051
Main & Sivri	Inferred	1,300	1.0	3.6	41,801	150,482	44,810
Satellite	Inferred	1,900	1.2	3.7	73,312	226,045	77,833
Total		4,900	1.26	3.85	202,573	606,109	214,694[2]
Global					**388,300**	**3,575,409**	**447,591**

1. Au equivalent (oz) is the sum of the gold ounces and the gold equivalent ounces of silver based on the following equation: {(Ag g/t*Ag Recovery*Ag Price*0.032)/Au oz Price}/Au Recovery.
2. Au equivalent (oz) is the sum of the gold ounces and the gold equivalent ounces of silver based on a gold/silver price ratio of 50:1.

Red Rabbit Project

Kiziltepe Deposit

The Kiziltepe deposit ("Kiziltepe") contains several prospect areas which are located within the Sındırgı Gold Corridor. Kiziltepe lies 130km north-east of the coastal city of Izmir. Kiziltepe was acquired in 2005 from Newmont for US$400,000, with a royalty of up to 2.5% on future gold production from the project assigned to Franco-Nevada Corporation. Current JORC compliant resources stand at 232,000 ounces gold equivalent (Table 1).

The Kiziltepe sector contains 45km of outcropping low-sulphidation epithermal quartz veins, which are hosted principally by dacitic volcanic units of Miocene age. Three distinct vein fields occur in an area covering approximately 12km by 6km and are well serviced by asphalt road and forestry tracks. Individual veins are exposed at surface for 750m in strike length and are between 1m and 14m wide.

In July 2010 a joint venture to develop the Red Rabbit Project to production was formally agreed between Proccea and Ariana Resources. A shareholders agreement between Galata Madencilik (Ariana's operating subsidiary in Turkey) and Proccea provided for the incorporation of a Turkish joint stock company named Zenit Madencilik San. ve Tic. A.Ş. ("Zenit"). Galata and Proccea may each own a 50% shareholding in Zenit subject to the terms of the JV. The ownership of the licences associated with the Red Rabbit Project were subsequently transferred from Galata to Zenit and Proccea is now funding the development of the Red Rabbit Project.

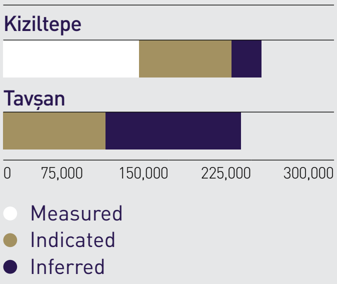
Earning in to a 50% stake in Zenit, a total of US$8m will be committed by Proccea. Approximately US$1.4m of this is committed to the first phase of development by funding the Environmental Impact Assessment (EIA), Definitive Feasibility Study (DFS) and additional permitting. US$6.6m will be committed towards the second phase of plant construction and commissioning of the gold mine. It is expected that total capital expenditure of US$25m is required for the project. As US$8m of funding is being committed by Proccea, the additional funding requirement currently stands at approximately US$17m. The JV partners are aiming to secure this additional capital requirement through debt finance secured at the JV level.

On the successful commissioning of the gold processing plant, the share of profit within Zenit will be 51% Galata and 49% Proccea.

The project development programme has been split in to three phases. In Phase 1 the management control of Zenit will rest with Galata and in Phase 2 and beyond, management control will lie with Proccea. Phase 1 is expected to take up to a year, but a maximum duration of 15 months has been set, after which point management control will automatically pass to Proccea. Currently Ariana, via its Turkish subsidiary, holds 89% of Zenit, with Proccea holding 11%.

In September 2010 Zenit selected Wardrop, a Tetra Tech Company (Wardrop) to manage the Definitive Feasibility Study and SRK Consulting Turkey was selected to manage the Environmental Impact Assessment. Work on these is underway and progressing to schedule.

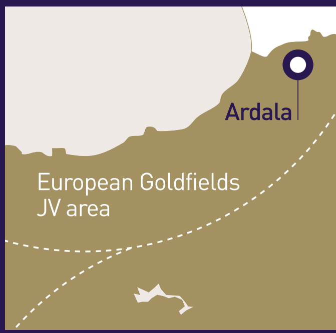
Red Rabbit Project Resource Breakdown (oz Au Equiv.)



An RC drilling programme was completed at Kiziltepe and focused on the Banu and Derya veins with aim of converting existing Inferred resources to at least the Indicated category. This work resulted in a near 1:1 conversion between the two categories. Following this work, Ariana reported a 25% increase in its JORC-compliant mineral resource estimate for Kiziltepe. Most importantly, the increase to the Measured and Indicated components of the estimate provided enhanced confidence in the scale of the potentially mineable resource at Kiziltepe.

The final JORC resource estimate and scoping study carried out by Wardrop estimated a production rate of 150,000 tonnes of ore per annum over a mine life of 6.9 years. These production levels have the potential to be broadened through further exploration in the Red Rabbit area of interest. The study estimated a project cash cost in the region of US$441–472 per ounce and the expected process route is Carbon-in-Leach (CIL). Based on the current resource estimate, one central pit is envisaged on Arzu South with satellite pits at Arzu North, Banu, Derya and Kepez. Proccea have now completed the preliminary designs for the processing plant including the site plan and positioning of the processing plant, waste rock dump and tailings dam.

Case study
European Goldfields JV



Location: North-eastern Turkey inclusive of the Ardala and Salinbaş prospects

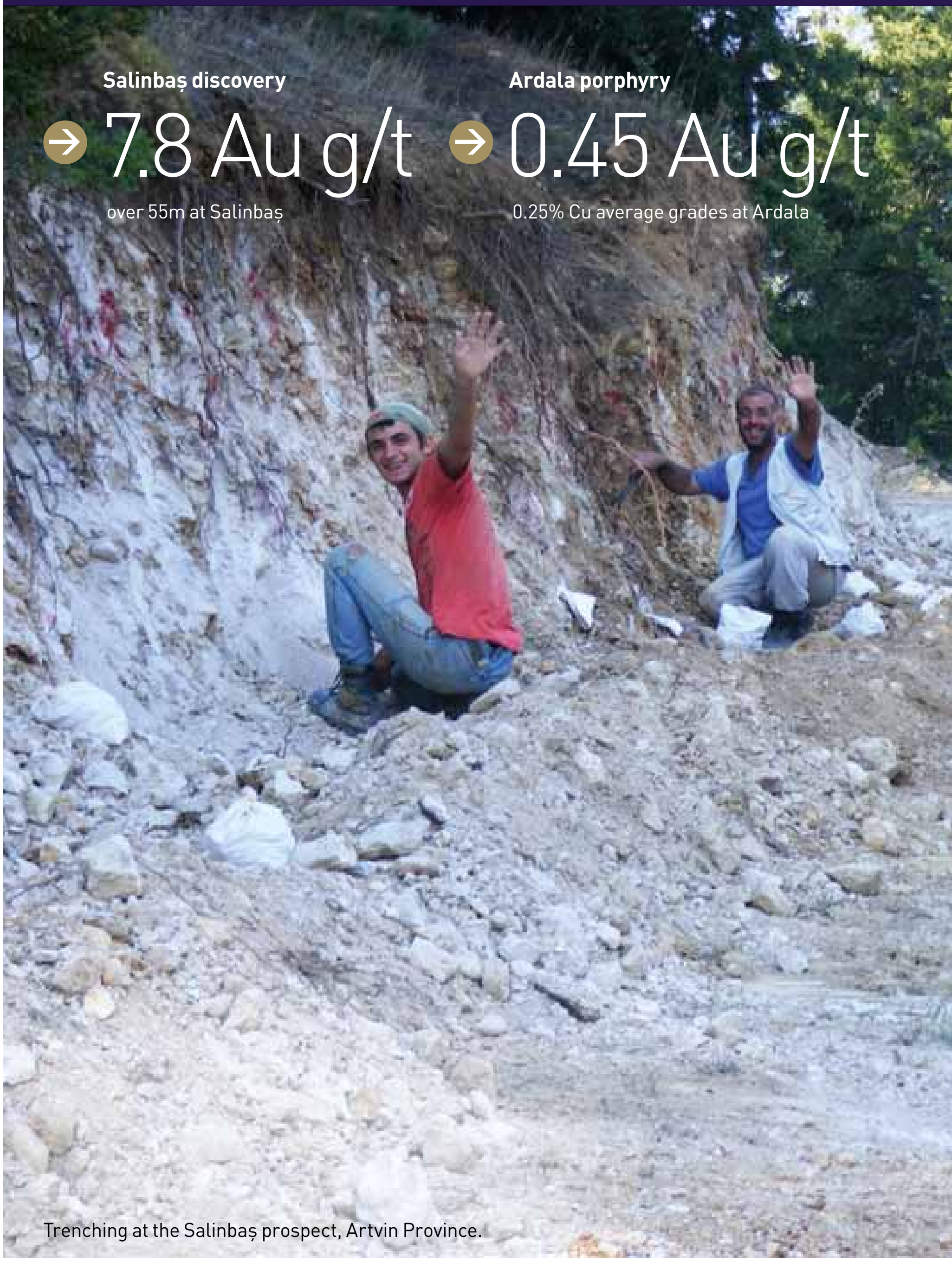
2011 Milestones:
- Exploration drilling
- Further regional exploration
- New project identification

Trench Results: Salinbaş

Trench ID	Metres	Au g/t	Ag g/t
ST1	32	5.43	7.8
ST3	46	8.33	39.0
ST11	55	7.80	9.2
ST12	8	8.38	13.8
ST13	38	3.67	12.1
ST15	27	1.96	10.6

Drilling Results: Salinbaş

Drillhole	Depth	Metres	Au g/t	Ag g/t
SALH007	0.5–22	21.5	6.63	19.8
SALH008	9.8–28	18.2	4.08	29.2
SALH009	14.8–26.9	12.1	5.66	14.5
SALH012	6–48.7	42.7	2.78	13.4
SALH014	0–23.8	23.8	2.67	14.1



Salinbaş discovery
7.8 Au g/t
over 55m at Salinbaş

Ardala porphyry
0.45 Au g/t
0.25% Cu average grades at Ardala

Trenching at the Salinbaş prospect, Artvin Province.

Case study

Exploration

Location	Area covering the prospective parts of western Turkey including the Red Rabbit area of interest (AOI)
Programme details	Phase 1: Regional • 169 BLEG samples from Red Rabbit AOI • Anomalous target areas defined • Follow-up of all targets completed Phase 2: Western Turkey • 580 BLEG samples covering 45,000km² of western Turkey • Target identification underway
2011 Milestones	• Further exploration in western Turkey • Target identification in preparation for licence auctions • Project acquisition
	175 anomalous BLEG results
	79 targets followed up

L: Night time RC drilling on Kiziltepe.

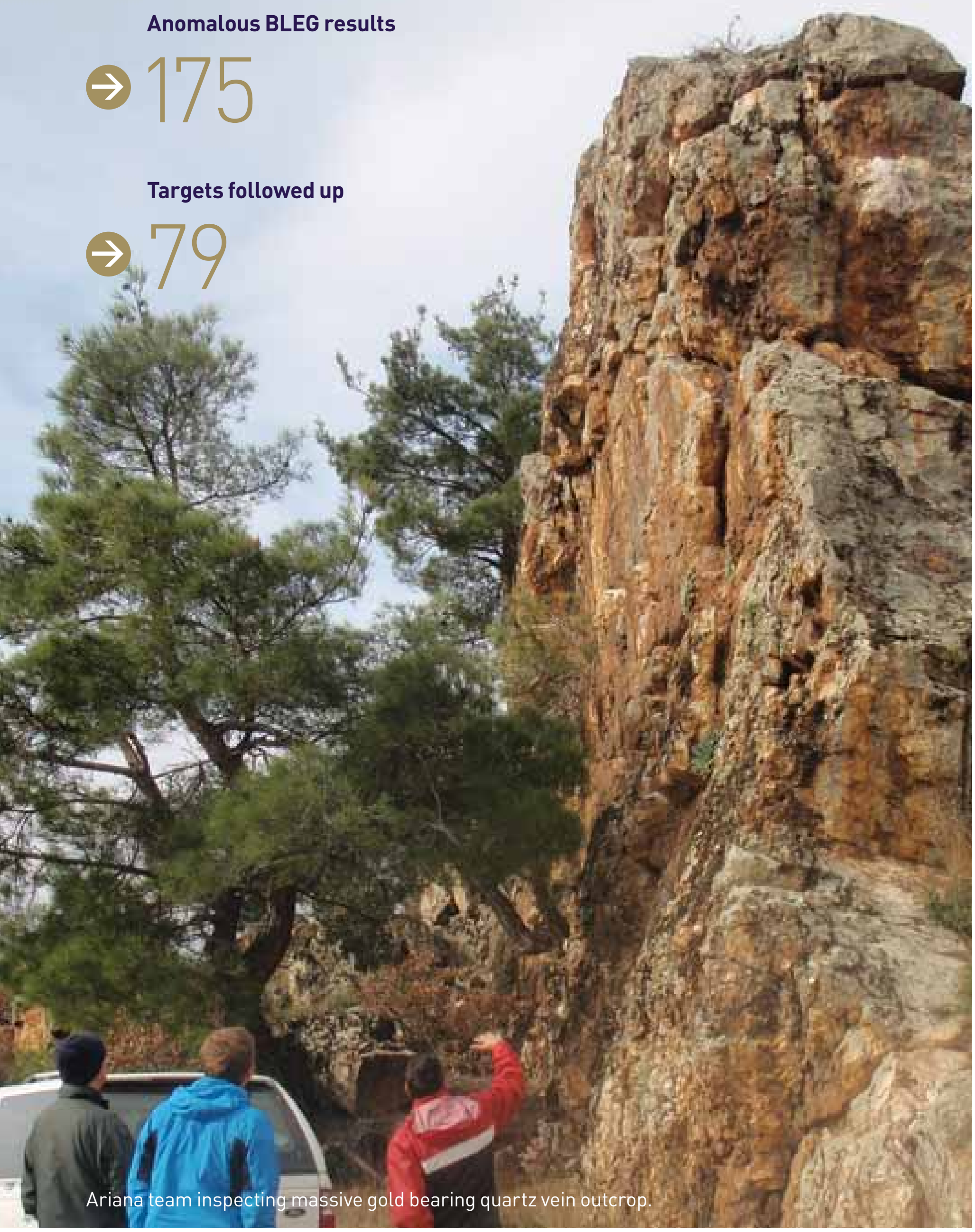
R: Ariana exploration area and Red Rabbit area of interest.

Anomalous BLEG results

175

Targets followed up

79



Ariana team inspecting massive gold bearing quartz vein outcrop.

Tavşan Sector

The Tavşan Sector ("Tavşan") lies 75km from the Kiziltepe Sector, 210km north-east of the coastal city of Izmir. Tavşan was purchased in 2008 from Odyssey Resources for 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 JORC compliant resources stand at 215,000 ounces gold equivalent.

The Tavşan 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 4km by 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.

> In 2011 it is expected that the Company will continue to push projects up the value curve through further development and strategic acquisition.

Due to the simplicity of the project and acceptable metallurgical recoveries reported in column-leach testwork, the Company considers merit in its development as a heap-leach operation capable of delivering up to 30,000 ounces per annum. The Company envisages production at a rate of 1Mt per annum via the development of a linked series of shallow pits across the prospect. A preliminary economic assessment of Tavșan has been completed and a positive result was achieved.

Tavșan is being developed as an integral part of the Red Rabbit Project and mining at this location is envisaged to commence after mining concludes at the Kiziltepe sector.

European Goldfields JV

Reconnaissance exploration in eastern Turkey for large porphyry Cu-Au and related deposits identified potential in north-eastern Turkey and resulted in the acquisition of the Ardala Project by the Company. This project, in addition to several other licences, is now being advanced through a Joint Venture agreement with European Goldfields Limited. A Joint Venture exploration company, 49% owned by Ariana Resources and named Pontid Madencilik San. ve Tic. Ltd., was established in 2008. The Joint Venture includes a free-carry to definitive feasibility at 20% or 10%, for initial projects or new projects, respectively.

Ardala and Salinbaș

The Ardala prospect is located in the Pontides Metallogenic Province of Turkey and lies approximately 80km south-east 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 600m by 700m and interpretation of ground magnetic data suggests further lateral continuity beneath limestone units. Twenty-nine drill holes were undertaken on part of the mineralised system in the early 1990s 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. A phased programme of drilling commenced on the southern margins of the porphyry system during 2009 and continued through 2010.

During the course of 2010 European Goldfields allocated US$2.2m towards exploration and drilling programmes at the Ardala and Salinbaș prospects. Regional sampling aimed at selecting other targets for licence applications has also continued across the Pontides region.

In 2009 Ariana and European Goldfields jointly announced the discovery of a new high-grade epithermal discovery, named Salinbaș which was revealed following the excavation of exploration trenches in the area. During 2010 these trenches were extended and new trenches were also excavated. The results defined mineralisation over a total strike length of about 300m. Follow-up drilling was also completed during the year. Drilling on Salinbaș included highlights of 21.5m at 6.63 g/t Au, and 42.7m at 2.78 g/t Au.

Outlook

2010 was a pivotal year for Ariana as we fully transitioned our principal project into the development stage. The successful joint venture of the Red Rabbit Project, followed by the immediate initiation of Phase 1 work has demonstrated Ariana and Proccea's joint commitment to fast-tracking the project to production. Our regional exploration has also been extremely successful and the Company is now awaiting the reinstatement of licence auctions following changes to the mining law in 2010. In 2011 I am confident that the Company will continue to push projects up the value curve through further development and strategic acquisition.

Dr. Kerim Sener
Managing Director
17 May 2011

Directors

Michael Spriggs
BA (Hons) MA MSc
Chairman, aged 67

Michael has 38 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 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.

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

Kerim Sener
BSc (Hons) MSc DIC PhD
Managing Director, aged 34

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, a member of the Society of Economic Geologists and a member of the Chamber of Geological Engineers in Turkey. He is a non-executive director of ASX-listed Genesis Resources Limited and TSX-listed Mediterranean Resources Ltd.

Michael de Villiers
B. Comm. Professional Accountant (SA) MIOD
Non-Executive Director, aged 48

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

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

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

William Payne
BA (Hons) ACA
Non-Executive Director and Chief Financial Officer, aged 46

William studied Accountancy at Exeter University before training and qualifying as a Chartered Accountant with KPMG in London. He left after five years there to become a partner in W H Payne and Co. in 1991.
In 2003 he became a partner in top 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.
William is also a director of a number of companies, including AIM-listed Kibo Mining plc and Sprue Aegis plc, a company quoted on the London PLUS Market.

Senior staff

Erhan Şener
BA MA
General Manager, aged 67

Erhan is a Turkish national and has 40 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).

Soner Koldaș
BSc MSc
Technical Director, aged 42

Soner is both a Turkish and South African national and has 22 years' experience in senior management and mining engineering. Soner graduated with a first-class BSc in Mining and Mineral Process Engineering at Dokuz Eylul University following which he completed an MSc in Rock Mechanics and Mining Geology at the University of the Witwatersrand in South Africa. He has worked for various international mining, exploration and consulting companies including Goldfields SA, Sandvik Mining and Construction, Demir Export and more recently as Technical Director for Manhattan Corporation, with responsibility for the design, planning and execution of mine and process plant projects in Turkey, CIS, Africa and Middle East. Soner is responsible for our mining and exploration operations.

Ufuk Çakir
BSc
Tenement Manager, aged 29

Ufuk is a Turkish national and has six years' experience in the mining sector in Turkey. Ufuk graduated in Mining Engineering from Dumlupinar University in 2004. After spending his early career on open-pit mining operation for a Turkish company, he has spent four years with a consulting engineering company as a coordinator in mining licence management and governmental permits. Ufuk is now responsible for managing the administrative and legal requirements of our exploration/operational licences, applications and formal reporting for licenses, in addition to organising environmental and other operational permits for our projects. He is a member of the Chamber of Mining Engineers of Turkey and holder of a technical inspector certificate.

Advisors

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

Secretary
M J de Villiers

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Report of the Directors

For the year ended 31 December 2010

The directors present their report with the audited financial statements of the Company and the Group for the year ended 31 December 2010.

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 Business Review on pages 06 to 13.

Key performance indicators
The Group is in transition from an explorer into a producer. The key project is the Red Rabbit project in Turkey which is at pre-feasibility stage. As no revenue and hence profits will arise until the Group starts producing, the key performance indicators ("KPIs") for the Group will be linked to project milestones and the increase in overall enterprise value. The main financial KPI is shareholder return and with this in mind it is extremely positive to see the progress the share price has made during the later part of 2010 and in early 2011.

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

Financial KPIs
- Shareholder return – the performance of the share price and market capitalisation versus its peer group;
- Exploration expenditure – by type and by project;
- Total expenditure burn rates;
- Corporate overheads as a percentage of total expenditure;
- Cash flow forecasts over a 12 month time horizon; and
- Capital raising.

Non-financial KPIs
- Operational success – measured in terms of increasing our JORC compliant resources and progressing the Red Rabbit project through the various stages of development and production;
- Acquire and discover new exploration properties through our ongoing exploration programme;
- Health and safety – there were no serious incidents reported during the year; and
- Liquidity of our shares on AIM – our increased liquidity during the year under review enabled the Group to finalise a SEDA facility which will assist with capital raising in the future.

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 Pounds Sterling 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 23 to the financial statements.

Risk Review
The risks inherent in an exploration business are kept under constant review by the Board. The principal risks and the measures taken to mitigate them are detailed below:

Development of prospective projects requires additional licences and/or permits
In some cases, existing mineral property licences and/or permits do not currently provide for the development of a mine. Consequently, the Group will be required to obtain further licences and/or permits (mining, environmental and otherwise) from the appropriate government departments.

Political risk

This is the risk that assets will be lost through expropriation, unrest or war. Ariana minimises political risk by operating in Turkey which has a stable political system, established fiscal and mining codes and a respect for the rule of law.

Commodity risk

This is the risk that the price earned for minerals will fall to a point where it becomes uneconomic to extract them from the ground. The principal metals in Ariana's exploration portfolio are gold and silver. During 2010 and subsequently the price of gold and silver has performed strongly.

Liquidity risk

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

The Group has two significant joint venture partners; European Goldfields PLC and Proccea Construction Co., and both are highly valued and considered to be financially sound.

Currency risk

Fluctuations in currency exchange risks can significantly impact cash flows. The Group finances its overseas operations by transferring Pounds Sterling from the UK to meet local operating costs which are generally either denominated in Turkish Lira or US Dollars. The Group maintains the majority of its cash in Pounds Sterling and continues to monitor relevant currency movements and take action where considered appropriate.

Directors

The directors during the year under review were:

M J Spriggs
A K Sener
M J de Villiers
W J B Payne (appointed 22 July 2010)

The beneficial interests of the directors holding office on 31 December 2010 in the ordinary issued share capital of the Company were as follows:

	2010	2009
M J Spriggs	683,072	519,072
A K Sener	4,350,000	4,013,143
M J de Villiers	2,249,142	2,085,142
W J B Payne	350,000	–

Report of the Directors

For the year ended 31 December 2010
continued

Share options & warrants

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

Director	2010	2009
M J Spriggs	712,534	712,534
A K Sener	994,463	994,463
M J de Villiers	760,334	760,334
W J B Payne	–	–
Total	**2,467,331**	**2,467,331**

Share capital

The authorised share capital of the Company at 31 December 2010 was £5,000,000 divided into 500,000,000 ordinary shares of 1p each.

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

On 15 July 2010 the company issued 245,431 new ordinary shares for a total consideration of £7,362.93 for the exercise of warrants.

On 9 February 2011 the issued 3,988,985 new ordinary shares for a total consideration of £150,000 for the fees relating to the establishment of the SEDA.

On 18 February 2011 the company issued 24,513,158 new ordinary shares for a total consideration £1,164,375 for working capital, a further 24,513,158 warrants were issued to the subscribers for a 12 month period.

On 22 March 2011 the company issued 12,500,000 share options to staff and management.

On 21 April 2011 the company issued 483,333 new ordinary shares at 6 pence for the settlement of service costs.

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

An ordinary resolution will be proposed at the forthcoming Annual General Meeting for the renewal of the directors' general authority to issue relevant securities up to an aggregate nominal amount of £1,000,000.

A special resolution will also be proposed at the forthcoming Annual General Meeting for the renewal of the directors' authority to allot relevant securities for cash without first offering them to the shareholders pro-rata to their holdings, pursuant to section 570 of the Companies Act 2006 up to an aggregate nominal amount of £1,000,000.

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

Substantial share interests

The Company had been notified of the following interests in Shares held on 3 May 2011:

Shareholder	Ordinary shares	% of Issued Share Capital
European Goldfields Limited	28,271,016	11.27
R Bruce Rowan Esq	24,400,000	9.72
The Bank of New York (Nominees) Limited	21,954,552	8.75
Starvest PLC	15,061,263	6.00
TD Waterhouse Nominees (Europe) Limited	14,838,430	5.91

Dividends
No dividends will be distributed for the year ended 31 December 2010 and the retained loss has been transferred to reserves.

Group's policy on payment of creditors
It is the Group's normal practice to settle the terms of payment when agreeing the transaction, to ensure suppliers are aware of those terms and to abide by them. Trade creditor days based on creditors at 31 December 2010 were 30 days (2009: 30 days).

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

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

Statement of directors' responsibilities
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). The financial statements are required by law to give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Company and 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. In so far as each of the directors is aware:
- there is no relevant audit information of which the Company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

Provision of information to 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.

Report of the Directors

For the year ended 31 December 2010

continued

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

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

Audit committee

The chairman of the audit committee is Michael de Villiers. The audit committee may examine any matters relating to the financial affairs of the Group and the Group's audits. This includes reviews of the annual financial statements and announcements, internal control procedures, accounting procedures, accounting policies, the appointment, independence, objectivity, terms of reference and fees of external auditors and such other related functions as the Board may require.

The membership of the audit committee comprises two non-executive directors, Michael de Villiers and Michael Spriggs. The external auditors have direct access to the members of the committee, without presence of the executive directors, for independent discussions.

Remuneration committee

The Chairman of the Remuneration Committee is Michael Spriggs. The committee comprises three non-executive, directors Michael de Villiers, William Payne and Michael Spriggs. It determines the terms and conditions of the employment and annual remuneration of the executive directors. It consults with the Managing Director, takes into consideration external data and comparative third party remuneration and has access to professional advice outside the Company.

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

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

Remuneration of the executive directors comprises basic salary, discretionary bonuses, participation in the Company's share option scheme and other benefits. The Company's remuneration policy with regard to options is to maintain an amount of not more than 10% of the issued share capital in options for the Company's management and employees which may include the issue of options in line with any new share issue.

Total directors' emoluments are disclosed in note 3 to the financial statements and the directors' options are disclosed above.

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
Company Secretary
17 May 2011

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

We have audited the financial statements of Ariana Resources PLC for the year ended 31 December 2010 which comprise the Group and parent company statement of financial position, the Group statement of comprehensive income, the Group and parent company statements of cash flow, the Group and parent company statements of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 18, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2010 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Christopher Smith
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
17 May 2011

Consolidated statement of comprehensive income

for the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Administrative costs		(466)	(425)
Write down of intangible assets		(326)	–
Other income	4	277	18
Operating loss	5	**(515)**	**(407)**
Share of loss of associate	12b	–	–
Investment income		9	5
Loss on ordinary activities before tax	6	**(506)**	**(402)**
Taxation	7	(17)	–
Loss for the year		**(523)**	**(402)**
Other comprehensive income			
Exchange differences on translating foreign operations		(1)	1
Other comprehensive income for the year net of tax		**(1)**	**1**
Total comprehensive income for the year		**(524)**	**(401)**
Loss for the year attributable to owners of the parent		**(523)**	**(402)**
Total comprehensive income attributable to owners of the parent		**(524)**	**(401)**
Loss per share (pence):			
Basic and diluted		(0.25)	(0.27)

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

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

for the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Assets			
Non-current assets			
Trade and other receivables	13	12	126
Available for sale investments	12a	71	–
Intangible assets	10	4,343	3,910
Land, property, plant and equipment	11	176	197
Interest in associates	12b	–	–
Total non-current assets		**4,602**	**4,233**
Current assets			
Trade and other receivables	14	835	192
Available for sale investments	12a	56	–
Cash and cash equivalents		755	908
Total current assets		**1,646**	**1,100**
Total assets		**6,248**	**5,333**
Equity			
Called up share capital	16	2,220	1,709
Share premium		5,167	4,738
Other reserves		720	720
Share options		100	100
Translation reserve		63	64
Retained earnings		(2,748)	(2,448)
Total equity attributable to equity holders of the parent		**5,522**	**4,883**
Non-controlling interest		**415**	**–**
Total equity		**5,937**	**4,883**
Liabilities			
Current liabilities			
Trade and other payables	15	311	450
Total current liabilities		**311**	**450**
Total equity and liabilities		**6,248**	**5,333**

The financial statements were approved by the Board of Directors and authorised for issue on 17 May 2011. They were signed on its behalf by:

M J Spriggs
Chairman

M J de Villiers
Director

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

Company statement of financial position

for the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Assets			
Non-current assets			
Available for sale investments	12a	71	–
Investments in group undertakings	12b	217	217
Total non-current assets		**288**	**217**
Current assets			
Trade and other receivables	14	4,920	4,463
Available for sale investments	12a	56	–
Cash and cash equivalents		12	–
Total current assets		**4,988**	**4,463**
Total assets		**5,276**	**4,680**
Equity			
Called up share capital	16	2,220	1,709
Share premium		5,167	4,738
Share options		100	100
Retained earnings		(2,226)	(1,867)
Total equity		**5,261**	**4,680**
Liabilities			
Current liabilities			
Trade and other payables	15	15	–
Total current liabilities		15	–
Total equity and liabilities		**5,276**	**4,680**

The financial statements were approved by the Board of Directors and authorised for issue on 17 May 2011. They were signed on its behalf by:

M J Spriggs
Chairman

M J de Villiers
Director

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

Consolidated statement of changes in equity

for the year ended 31 December 2010

	Share capital £'000	Share premium £'000	Other reserves £'000	Share options £'000	Translation reserve £'000	Retained earnings £'000	Total attributable to equity holder of parent £'000	Non-controlling interest £'000	Total £'000
Changes in equity to 31 December 2009									
Balance at 1 January 2009	**927**	**4,282**	**720**	**100**	**63**	**(2,046)**	**4,046**	**–**	**4,046**
Loss for the year	–	–	–	–	–	(402)	(402)	–	(402)
Other comprehensive income – exchange differences on translating foreign operations	–	–	–	–	1	–	1	–	1
Total comprehensive income	**–**	**–**	**–**	**–**	**1**	**(402)**	**(401)**	**–**	**(401)**
Expenses offset against share premium	–	(103)	–	–	–	–	(103)	–	(103)
Issue of share capital	782	559	–	–	–	–	1,341	–	1,341
Balance at 31 December 2009	**1,709**	**4,738**	**720**	**100**	**64**	**(2,448)**	**4,883**	**–**	**4,883**
Changes in equity to 31 December 2010									
Loss for the year	–	–	–	–	–	(523)	(523)	–	(523)
Other comprehensive income – exchange differences on translating foreign operations	–	–	–	–	(1)	–	(1)	–	(1)
Total comprehensive income	**–**	**–**	**–**	**–**	**(1)**	**(523)**	**(524)**	**–**	**(524)**
Issue of share capital	511	518	–	–	–	–	1,029	–	1,029
Expenses offset against share premium	–	(89)	–	–	–	–	(89)	–	(89)
Non-controlling interest – share of assets in subsidiary	–	–	–	–	–	–	–	415	415
Increase in interest in share of assets of subsidiary	–	–	–	–	–	223	223	–	223
Balance at 31 December 2010	**2,220**	**5,167**	**720**	**100**	**63**	**(2,748)**	**5,522**	**415**	**5,937**

The accompanying notes form part of these financial statements.

Company statement of changes in equity

for the year ended 31 December 2010

	Share capital £'000	Share premium £'000	Share options £'000	Retained earnings £'000	Total £'000
Changes in equity to 31 December 2009					
Balance at 1 January 2009	**927**	**4,282**	**100**	**(1,531)**	**3,778**
Loss for the year	–	–	–	(336)	(336)
Total comprehensive income	**–**	**–**	**–**	**(336)**	**(336)**
Expenses offset against share premium	–	(103)	–	–	(103)
Issue of share capital	782	559	–	–	1,341
Balance at 31 December 2009	**1,709**	**4,738**	**100**	**(1,867)**	**4,680**
Changes in equity to 31 December 2010					
Loss for the year	–	–	–	(359)	(359)
Total comprehensive income	**–**	**–**	**–**	**(359)**	**(359)**
Issue of share capital	511	518	–	–	1,029
Expenses offset against share premium	–	(89)	–	–	(89)
Balance at 31 December 2010	**2,220**	**5,167**	**100**	**(2,226)**	**5,261**

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Cash flows from operating activities			
Cash generated from operations	17a	(1,200)	(1)
Net cash outflow from operations		**(1,200)**	**(1)**
Cash flows from investing activities			
Purchase of investments		(137)	–
Purchase of land, property, plant and equipment		(15)	–
Payments for intangible assets (excluding capitalised depreciation)		(400)	(477)
Interest received		9	5
Net cash used in investing activities		**(543)**	**(472)**
Cash flows from financing activities			
Proceeds from issue of share capital		940	1,238
Proceeds from sale of investments		12	–
Proceeds from shares issued to non-controlling interest		638	–
Net cash proceeds from financing activities		**1,590**	**1,238**
Net decrease in cash and cash equivalents		**(153)**	**765**
Cash and cash equivalents at beginning of year		908	143
Cash and cash equivalents at end of year		**755**	**908**

The accompanying notes form part of these financial statements.

Company statement of cash flows

for the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Cash flows from operating activities			
Cash generated from operations	17b	(803)	(1,238)
Net cash outflow from operations		**(803)**	**(1,238)**
Cash flows from investing activities			
Purchase of investments		(137)	–
Net cash used in investing activities		**(137)**	**–**
Cash flows from financing activities			
Proceeds from issue of share capital		940	1,238
Proceeds from sale of investment		12	–
Net cash proceeds from financing activities		**952**	**1,238**
Net increase in cash and cash equivalents		12	–
Cash and cash equivalents at beginning of year		–	–
Cash and cash equivalents at end of year		**12**	**–**

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

The accompanying notes form part of these financial statements.

Notes to the consolidated financial statements
for the year ended 31 December 2010

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.

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

Basis of preparation
The Group consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, effective for the Group's reporting for the year ended 31 December 2010.

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with IFRS.

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

The Company raised £1,164,000 before costs from the issue of new ordinary shares in February 2011 and the directors are confident that this will provide sufficient financial resources for the foreseeable future.

Accounting standards adopted
The Group has adopted the following standards:

- **IAS 1 (revised) 'Presentation of Financial Statements'** – this is a presentational change only, affecting the titles and positioning of items within the financial statements, including the format of the primary statements which are now the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows. There is no impact on reported profits or total equity;
- **IAS 27 (revised) 'Consolidated and Separate Financial Statements'** – this standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting treatment required when control of an entity is lost. Any remaining interest in the entity is recognized in the Income Statement; and
- **IFRSS 8 'Operating Segments (Amendment)'** – this standard requires that operating segments be reported in a manner consistent with the internal reporting and operational decision making of the Company. The key performance measures have been assessed as being Revenue and Gross Profit.

Accounting standards and interpretations not adopted
At the date of authorisation of these consolidated Group Financial Statements and the Parent Company Financial Statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

- **Amendments to IFRS 2 'Share-Based Payment'** – Group Cash-Settled Transactions, effective for annual periods beginning on or after 1 January 2010. In addition to incorporating IFRIC 8 'Scope of IFRSS 2' and IFRIC 11 'IFRSS 2 – Group and treasury share transactions', the amendments expand on the guidance of IFRIC 11 to address the classification of Group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the Group's financial statements;
- **Amendment to IAS 24 'Related Party Disclosures'**, effective for annual periods beginning on or after 1 January 2011;
- **Amendment to IAS 32 'Classification of rights issues'**, effective for annual periods beginning on or after 1 February 2010; and
- **IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'**, effective for annual periods beginning on or after 1 July 2010.

The Directors anticipate that the adoption of these Standards and Interpretations in future years will have no material impact on the Group financial statements.

Significant accounting policies
Basis of consolidation
On 25 July 2005 Ariana Resources Plc acquired the entire share capital of Ariana Exploration & Development Limited by way of a share for share exchange. The transaction has been treated as a Group reconstruction and has been accounted for using the merger accounting method.

Subsidiaries are all entities over which the Group has power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The purchase method is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at fair value of the assets and equity instruments acquired, and the liabilities incurred or assumed at the date of exchange.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group. All significant intercompany transactions and balance between group entities are eliminated on consolidation.

Notes to the consolidated financial statements

for the year ended 31 December 2010
continued

1. General information continued
Non-controlling interest, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interest based on their respective ownership interests.

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting except when classified as held for sale. Investments in associates are carried in the statement of financial position at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associates, less any impairment in the value of individual investments. Losses of the associates in excess of the Group's interest in those associates are not recognised.

Income and expense recognition
The Group's principal source of other income relates to receipt of a fee that became payable on the successful conclusion of the joint venture agreement with its new joint venture partner in Turkey. Although received during 2009, the fee was only released to the Consolidated Statement of Comprehensive Income once the joint venture agreement had been finalised.

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

Foreign currency translation

- Functional and presentation currency
  Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Sterling, which is the Company's presentation currency. This is also the functional currency of the Company's undertakings 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 comprehensive income statement.
- Group companies
  The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - 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 measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined;
  - income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transaction); and
  - all resulting exchange differences are recognised as a separate component of equity. On consolidation, exchange differences arising from the translation of monetary items receivable from foreign subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the statement of comprehensive income as part of the gain or loss on sale.

Land, 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.

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

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

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

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

Available for sale financial assets
Available for sale financial assets include non-derivative financial assets that are either designated as such or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are measured subsequently at fair value, with changes in value recognised in equity, through the statement of changes in equity/statement of recognised income and expense. Gains and losses arising from investments classified as available for sale are recognised in the consolidated statement of comprehensive income when they are sold or when the investment is impaired. In the case of impairment of available for sale assets, any loss previously recognised in equity is transferred to the consolidated statement of comprehensive income. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income. Impairment losses recognised previously on debt securities are reversed through the consolidated statement of comprehensive income when the increase can be related objectively to an event occurring after the impairment loss was recognised in the consolidated statement of comprehensive income.

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

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

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

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

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

Notes to the consolidated financial statements

for the year ended 31 December 2010
continued

1. General information continued

Taxation

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

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

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

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the 31 December. Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the consolidated statement of comprehensive income, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited to equity. The deferred tax asset arising from trading losses carried forward as referred to in Note 7 has not been recognised. The deferred tax asset will be recognised when it is more likely than not that it will be recoverable.

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 statement of comprehensive income in the year to which it relates.

Accounting estimates and judgements

The Group makes estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may deviate from these estimates and assumptions. The estimates and 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 as follows:

- 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.
- Control of subsidiary
  The Group entered into a joint venture agreement with Proccea Construction Co. ("Proccea") in relation to a new wholly owned subsidiary, Zenit Madencilik San. ve Tic. A.S. ("Zenit"), whereby Proccea will earn up to a 50% share of Zenit (see note 12b). As at the balance sheet date management are of the opinion that the Group retains control of Zenit and as such it has been treated as a subsidiary. As Proccea earn into Zenit, management will revisit this judgement.
- 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 16.
- Trade and other receivables
  Trade and other receivables are recognised initially at fair value and subsequently restated for any impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

2. Staff costs

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Wages and salaries	198	139	94	104
Social security costs	7	8	4	6
Share based payments	–	–	–	–
Pension costs	7	7	7	7
	212	154	105	117

Total staff costs, including those capitalised within intangible assets, amounts to £381,000 (2009: £354,000).The average monthly number of employees (including executive directors) during the year was as follows:

	Group		Company	
	2010 Number	2009 Number	2010 Number	2009 Number
Exploration activities	10	9	2	2
Administration	6	5	3	2
	16	14	5	4

3. Directors' emoluments

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Basic salary and fees	131	141	131	141
Pension contributions	7	7	7	7
	138	148	138	148
The emoluments of the Chairman were	20	20	20	20
The emoluments of the highest paid director were	75	83	75	83

Key management personnel consist of only the directors. Details of share options and interests in the Company's shares of each director is shown in the directors' report on pages 17 to 18.

	Year	Salary and fees	Pension	Total
Michael Spriggs	2010	20	–	20
	2009	20	–	20
Kerim Sener	2010	75	7	82
	2009	83	7	90
Michael de Villiers	2010	36	–	36
	2009	38	–	38
William Payne	2010	18	–	18
	2009	–	–	–

William Payne's services are provided by a firm of Chartered Accountants, further details of which are set out in note 21.

4. Other income

Other income represents:

	Note	2010 £'000	2009 £'000
Fee on conclusion of joint venture	12b	271	–
Consultancy and other income		6	18
		277	18

5. Operating loss

The operating loss is stated after charging:

	2010 £'000	2009 £'000
Depreciation – owned assets	36	33
Profit on sale of investments	(2)	–
Operating lease – office rental	5	4
Net foreign exchange (profits)/losses	(6)	15
Fees payable to the Company's auditors for the audit of the Company's annual accounts	19	18
Fees payable to the Company's auditors for other services:		
– The audit of the Company's subsidiaries	4	4
– Other services pursuant to legislation	2	3

Notes to the consolidated financial statements

for the year ended 31 December 2010

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6. Segmental analysis

Management currently identifies two divisions as operating segments – mining and corporate. These operating segments are monitored and strategic decisions are made based upon them and other non-financial data collated from exploration activities.

Principal activities for these operating segments are as follows:

- Mining – incorporates the acquisition, exploration and development of gold resources in Turkey.
- Corporate – non mining and head office activities of the Group.

	2010				2009			
	Mining	Corporate	Inter-segments eliminated	Group	Mining	Corporate	Inter-segments eliminated	Group
Administrative costs	–	(466)	–	(466)	–	(425)	–	(425)
Write down of intangible assets	(326)	–	–	(326)	–	–	–	–
Other income	273	–	4	277	–	12	6	18
Investment income	–	9	–	9	–	5	–	5
Share of loss of associate	–	–	–	–	–	–	–	–
Tax	(17)	–	–	(17)	–	–	–	–
Loss after tax	**(70)**	**(457)**	**4**	**(523)**	**–**	**(408)**	**6**	**(402)**
Assets								
Segment assets	5,723	525	–	6,248	4,744	589	–	5,333
Liabilities								
Segment liabilities	(128)	(183)	–	(311)	(341)	(109)	–	(450)
Additions to segment assets								
Intangible assets	433	–	–	433	509	–	–	509
Property plant & equipment	13	2	–	15	–	–	–	–
Depreciation	(32)	(1)	–	(33)	(32)	(1)	–	(33)

Other income includes consultancy and licence fees.

Inter-segments includes transactions between Group and associate companies.

Geographical segments

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

	2010				2009			
	Turkey	United Kingdom	British Virgin Islands	Group	Turkey	United Kingdom	British Virgin Islands	Group
Carrying amount of segment assets	5,723	520	5	6,248	4,743	589	1	5,333
Acquisition of interest								
– In associate	–	–	–	–	–	–	–	–
Additions to segments assets	446	2	–	448	509	–	–	509
(Loss)/profit after tax	(78)	(444)	(2)	(523)	(5)	(396)	(1)	(402)

7. Taxation

	2010 £'000	2009 £'000
Current tax expense in respect of the current year	–	–
UK current tax	–	–
British Virgin Islands tax	–	–
Turkish current tax	17	–

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

	2010 £'000	2009 £'000
Group loss on ordinary activities before tax	(506)	(402)
Losses/(profits) from ordinary activities on overseas subsidiaries	62	6
Loss on ordinary activities on UK operations	(444)	(396)

	2010 £'000	2009 £'000
Losses on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009: 28%)	(124)	(111)
Disallowable expenses	1	1
Parent and subsidiaries operating in the UK – losses to carry forward	123	110
Effect of different tax rates and laws of subsidiaries operating in other jurisdictions	17	–
Current tax charge	17	–

The Group has UK losses carried forward on which no deferred tax asset is recognised in the financial statements as the recovery of this benefit is dependent on future profitability, the timing of which cannot be reasonably foreseen. Total UK losses carried forward amount to £2,407,000 (2009: £1,965,000).

8. Loss of parent company

As permitted by Section 408 of the Companies Act 2006, the statement of comprehensive income of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £359,000 (2009: £336,000).

9. Loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary shareholders of £523,000 (2009: £402,000) divided by the weighted average number of shares issued during the year 209,441,203 (2009: 149,308,164) in issue. There is no dilutive effect of share options or warrants on the basic loss per share.

Notes to the consolidated financial statements

for the year ended 31 December 2010
continued

10. Intangible assets

	Deferred exploration expenditure £'000
At 31 December 2008	**3,401**
Additions and capitalised depreciation	509
At 31 December 2009	**3,910**
Additions and capitalised depreciation	433
At 31 December 2010	**4,343**
Net book value	
At 31 December 2008	3,401
At 31 December 2009	3,910
At 31 December 2010	**4,343**

None of the Group's intangible assets are owned by the Company. The technical feasibility and commercial viability of extracting a mineral resource are not yet demonstrable in the above intangible assets. These assets are not amortised, until technical feasibility and commercial viability is established. All costs and revenues associated with trial mining undertaken during 2009 were recorded within additions during that year. The Company sold gold recovered from last year's trial mining, generating proceeds of £35,000 (2009: £48,000). Unsold gold derived from the trial mining at the year end had a market value of £5,000 (2009: £41,000).

11. Land, property, plant & equipment

Group	Land £'000	Computer equipment £'000	Drilling equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	Totals £'000
Cost						
At 31 December 2008	**12**	**14**	**233**	**7**	**41**	**307**
Additions	–	–	–	–	–	–
At 31 December 2009	**12**	**14**	**233**	**7**	**41**	**307**
Additions	–	14	–	1	–	15
At 31 December 2010	**12**	**28**	**233**	**8**	**41**	**322**
Depreciation						
At 31 December 2008	**–**	**8**	**29**	**5**	**35**	**77**
Charge	–	3	25	1	4	33
At 31 December 2009	**–**	**11**	**54**	**6**	**39**	**110**
Charge	–	6	28	1	1	36
At 31 December 2010	**–**	**17**	**82**	**7**	**40**	**146**
Net book value						
At 31 December 2008	12	6	204	2	6	230
At 31 December 2009	12	3	179	1	2	197
At 31 December 2010	**12**	**11**	**151**	**1**	**1**	**176**

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.

12a. Available for sale investments

Company	Non current £'000	Current £'000	Total £'000
Additions in the year	71	66	137
Disposals in the year	–	(10)	(10)
At 31 December 2010	71	56	127
Net book value			
At 31 December 2010	71	56	127
At 31 December 2009	–	–	–

The non-current available for sale investment represents the Group's investment in Tigris Resources Limited, an unlisted company registered in Jersey involved in Turkish gold exploration. The current available for sale investments represents the cost of shares in a Canadian listed mining exploration company, the fair value of which the directors consider is not materially different to the carrying value.

12b. Investments in group undertakings

Company	Shares in Group undertakings 2009 £'000
Cost	
At 1 January 2010	217
Additions in year	
At 31 December 2010	217
Net book value	
At 31 December 2010	217
At 31 December 2009	217

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

Subsidiaries	Ownership	Country of incorporation	Nature of business
Ariana Exploration & Development Limited	100%	United Kingdom	Exploration
Portswood Resources Limited	100%	British Virgin Islands	Holding company
Galata Madencilik San. ve Tic. Ltd.	100%	Turkey	Exploration
Zenit Madencilik San. ve Tic. A.S.	89%	Turkey	Exploration

In July 2010 the Group entered into a joint venture agreement with Proccea Construction Co. ("Proccea") such that Galata Madencilik San. ve Tic. Ltd. ("Galata") would transfer its principal assets at Sındırgı and Tavşan, collectively known as the "Red Rabbit Project" into a new wholly owned subsidiary, Zenit Madencilik San. ve Tic. A.S. ("Zenit"). Included within other income in the statement of comprehensive income, is the goodwill fee of US$500,000 Galata received on the finalisation of the agreement. Proccea earn their 50% share in Zenit by investing US$8m in the capital of Zenit, such funds to be spent on a Feasibility Study and an Environmental Impact Assessment, and then initial mine construction. By the year end Proccea had invested £638,000 to earn an 11% stake in Zenit.

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12b. Investments in group undertakings continued

Interest in associates

	Shares in Associated undertakings	
	2010 £'000	2009 £'000
Cost		
At 1 January 2010 and 31 December 2010	–	–

Ariana Exploration & Development Limited investments at the balance sheet date comprise 49% ownership of the ordinary share capital of the following companies:

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

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

The reported loss of Greater Pontides Exploration B.V. in its unaudited Group financial statements for the year ended 31 December 2010, amounted to US$57,851 (2009: US$82,217). The functional currency for the Greater Pontides Exploration B.V. Group is US Dollars. Greater Pontides Exploration B.V. Group has expensed the costs associated with the Ardala Project in the income statement in accordance with their policy on exploration and evaluation expenditure. The loss reported by Greater Pontides Exploration B.V. Group has been restated to reflect the Group policy for investments in associates, as detailed in the Group's accounting policies. The Group's share of the adjusted loss, converted into Sterling, has been included in the Consolidated Statement of Comprehensive Income, and amounted to £Nil (2009: £Nil).

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

Share of Associate's balance sheet	2010 US$'000	2009 US$'000 Restated
Non-current assets	3,210	1,606
Current assets	891	361
Total assets	4,101	1,967
Non-current liabilities	–	–
Current liabilities	(2,820)	(947)
Total liabilities	(2,820)	(947)
Net assets/(liabilities)	1,281	1,020
Carrying amount of the investment	Nil	Nil

All Associates have a reporting date of 31 December 2010.

13. Non-current trade and other receivables

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Other receivables	12	126	–	–

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 the fair value is not materially different to the carrying value presented.

14. Trade and other receivables

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Amounts owed by Group undertakings	–	–	4,920	4,463
Amounts owed by Associated undertakings	1	6	–	–
Other receivables	806	153	–	–
Prepayments	28	33	–	–
	835	192	4,920	4,463

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

15. Trade and other payables

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Trade and other payables	106	44	–	–
Social security and other taxes	30	12	–	–
Other creditors	107	310	–	–
Accruals and deferred income	68	84	15	–
	311	450	15	–

The above listed payables were all unsecured.

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

16. Called up share capital

Authorised

Number	Class	Nominal value	2010 £'000	2009 £'000
500,000,000	Ordinary	0.01	5,000	5,000

Allotted, issued and fully paid

Number	Class	Nominal value	2010 £'000	2009 £'000
221,979,533	Ordinary	0.01	2,220	1,709

Notes to the consolidated financial statements

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16. Called up share capital continued

Nature of consideration	Price per share	Number	Share Capital £'000	Share Premium £'000
March 2010 placement	2p	50,000,000	500	405
Directors' shares	3p	100,000	1	2
Consultants	3p–4.5p	278,940	3	8
Warrants exercised	3–4p	551,353	7	14
Total		**50,930,293**	**511**	**429**

On 31 March 2010 the Company issued 50,000,000 new ordinary 1p shares for a total consideration of £1,000,000.

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

During April & May 2010 the Company issued 378,940 new ordinary 1p shares to staff and certain consultants for a total consideration of £13,289.

Warrants exercised during the period to July 2010, resulted in the issue of 551,353 new ordinary 1p shares for a total consideration of £19,599.

Potential issue of ordinary shares

Share options and warrants

At the 31 December 2010 the Company had 3,441,000 options and 15,908,168 warrants outstanding for the issue of ordinary shares as follows:

Date of grant	Exercisable from	Exercisable to	Exercise price	Number granted	Number at 31 December 2010
Options					
19 July 2005	19 July 2005	19 July 2015	8.8p	2,105,869	2,105,869
19 July 2005	19 July 2005	19 July 2015	8.8p	65,131	65,131
22 August 2005	22 August 2005	22 August 2015	13p	870,000	870,000
22 August 2005	22 August 2005	22 August 2015	13p	100,000	100,000
1 September 2006	1 September 2006	1 September 2016	13p	300,000	300,000
Total				**3,441,000**	**3,441,000**

Date of grant	Exercisable from	Exercisable to	Exercise price	Number granted	Number at 31 December 2010
Warrants					
1 April 2008	1 April 2008	1 April 2013	13p	3,000,000	3,000,000
25 July 2008	25 July 2008	25 September 2012	8p	608,168	608,168
14 January 2009	14 January 2009	14 January 2013	1p	12,300,000	12,300,000
Total				**15,908,168**	**15,908,168**
Total Contingently Issuable shares				**15,908,168**	**15,908,168**

No options were exercised in the year. No options and warrants were issued during the year.

17. 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:

	2010 £'000	2009 £'000
Operating loss for the year	(515)	(407)
Adjusted for:		
Profit on sale of investment	(2)	–
Depreciation	1	1
Share base payments	–	–
Operating income before working capital changes		
Change in trade and other receivables	(529)	110
Change in trade and other payables	(154)	294
Foreign exchange differences	(1)	1
Cash used in Group operations	**(1,200)**	**(1)**

(b) Cash generated from Company operations

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

	2010 £'000	2009 £'000
Operating loss for the year	(359)	(336)
Adjusted for:		
Profit on sale of investments	(2)	–
Share based payments	–	–
Operating income before working capital changes		
Change in trade and other receivables	(457)	(902)
Change in trade and other payables	15	–
Cash used in Company operations	**(803)**	**(1,238)**

18. Contingent liabilities

The Group had no contingent liabilities at the year end (31 December 2009: £nil).

19. 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:

	2010 £'000	2009 £'000
Within one year	16	20

The Company's office lease expired during February 2011 following the transfer of operations to Turkey.

20. Capital commitments

The Group had no authorised or unauthorised capital commitments at the year end (31 December 2009: £nil).

21. Related party transactions

Group companies

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

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

Ariana Exploration & Development Limited
Portswood Resources Limited
Galata Madencilik San. ve Tic. Ltd.
Zenit Madencilik San. ve Tic. A.S.

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

Loans payable by Ariana Exploration & Development Limited and Galata Madencilik San. ve Tic. Ltd. to Ariana Resources PLC amounted to £4,594,342 (31 December 2009: £4,180,248) and £325,302 (31 December 2009: £283,368) respectively.

WJB Payne is a partner in Wilkins Kennedy, Chartered Accountants, the firm which provides his services. During the year end December 2010, Wilkins Kennedy were paid £18,000 in respect of his services as a director, and £36,150 in respect of accounting and management services. Fees paid for WJB Payne's services are included as part of directors emoluments declared in Note 3. At the year end the Group owed Wilkins Kennedy £16,908.

As detailed in note 12a to the accounts, during the year the company acquired a 15% stake in Tigris Resources Limited, a company involved in gold exploration in southern Turkey. Dr. Kerim Sener is a director of Tigris Resources Limited and his wife is a minority shareholder with a 5.56% shareholding in the company.

Matrix Exploration Ltd, a company majority owned by Dr. Kerim Sener, charged the Company £14,003 (2009: £2,390) for office rent and other services. At the year end the Company owed Matrix Exploration Ltd £239 (2009: £nil).

Associated companies

Transactions between the Group and its associated companies, which are related parties, have been included on consolidation. Ariana Exploration & Development Limited acquired a 49% interest in April 2008 in Greater Pontides Exploration B.V.

Consultancy fees amounting to £4,346 (31 December 2009: £5,950) were receivable by Galata Madencilik San. ve Tic. Ltd. from Pontid Madencilik San. ve Tic. Ltd. The outstanding balance of £855 (31 December 2009: £5,950) due to Galata Madencilik San. ve Tic. Ltd. is included in trade and other receivables.

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22. Post balance sheet events

In February 2011 the Company concluded a share placement raising £1,164,000 by the issue of 24.5 million new ordinary shares at a price of 4.75p each.

23. Capital management policies and procedures

The Group's capital management objectives are:

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

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

The Group monitors capital on the basis of the carrying amount of equity plus its group loans, less cash and cash equivalents as presented on the face of the consolidated statement of financial position. Capital for the reporting periods under review is summarised in note 16 and in the consolidated statement of changes in equity.

The Group sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

24. Financial instruments

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

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

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

Market operational risk

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

Liquidity risk

The Group and Company seek to manage financial risk to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Board will seek additional funds from the issue of share capital and warrants where appropriate, by reviewing financial and operational budgets and forecasts.

Credit risk

The Company has borrowings outstanding from its subsidiaries, the ultimate realisation of which depends on the successful exploration and realisation of the Group's exploration and evaluation assets.

Foreign currency risk

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

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	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Trade and other receivables	800	286	–	–
Cash and cash equivalents	407	352	–	–
Trade and other payables	(128)	(341)	–	–
	1,079	**297**	**–**	**–**

Rates of exchange	Lira
31 December 2010	- 2.34
31 December 2009	- 2.41

Foreign currency sensitivity

The Group and Company are mainly exposed to Turkish Lira.

The following table details the Group 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 analysis of the Group and Company exposure to foreign currency risk at the reporting date has been determined based on the change taking place at the beginning of the financial year and held constant throughout the reporting period. Profit or losses arising on revaluing monetary assets and liabilities are taken to the translation reserve on consolidation.

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
+ 20% increase in Sterling Profit/(loss) on translation	(179)	(50)	–	–
- 20% decrease in Sterling Profit/(loss) on translation	**269**	**74**	**–**	**–**

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 during the year 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 0.5% to 1.5% during the year. The deposits are kept under regular review, with reference to future expenditure requirements, and to maximise interest receivable.

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Floating interest rate (by reference to bank base rate)	728	900	–	–
Zero interest rate	27	8	12	–
	755	**908**	**12**	**–**

Interest rate sensitivity

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

	Group 2010 £'000		Company 2010 £'000
	Change in rate	Effect on loss	
Sterling	+3%	22	–
	+2%	14	–
	+1%	7	–
Sterling	-1%	(7)	–

Fair values of financial instruments

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

Trade and other receivables

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

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

	Carrying amount		Fair values	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Non current assets				
Trade and other receivables	12	126	12	109
Current assets				
Trade and other receivables	835	192	835	192
Cash and cash equivalents	755	908	755	908
Trade and other payables	311	450	311	450

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

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

Notice of the 2011 Annual General Meeting of Ariana Resources PLC

Company Number: 05403426

Please note that this document is important and requires your immediate attention. If you are in any doubt as to the action to be taken, please consult an independent adviser immediately.

If you have sold or transferred or otherwise intend to sell or transfer all of your holding of ordinary shares in the Company prior to the record date (as described in Note 12) for the Annual General Meeting of the Company on 21 June 2011 at 11:00 a.m., you should send this document, together with the accompanying Form of Proxy, to the (intended) purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was or is to be effected for transmission to the (intended) purchaser or transferee.

Notice is hereby given that the Annual General Meeting of the Company will be held at the East India Club, 16 St James's Square, London SW1Y 4LH, on 21 June 2011 at 11:00 a.m. in order to consider and, if thought fit, pass resolutions 1 to 4 as Ordinary Resolutions and Resolution 5 as a Special Resolution:

Ordinary resolutions

1. To receive the Annual Report and Accounts for the year ended 31 December 2010.

2. To re-elect William Payne who is retiring by rotation under the Articles of Association as a director of the Company.

3. To re-appoint Grant Thornton UK LLP as auditors and to authorise the directors to fix their remuneration.

4. That, in accordance with section 551 of the Companies Act 2006 (**"2006 Act"**), the Directors be generally and unconditionally authorised to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company (**"Rights"**) up to an aggregate nominal amount of £1,000,000 provided that this authority shall, unless renewed, varied or revoked by the Company, expire at the end of the next Annual General Meeting of the Company to be held after the date on which this resolution is passed, save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or Rights to be granted and the Directors may allot shares or grant Rights in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

   This authority is in substitution for all previous authorities conferred on the Directors in accordance with section 551 of the 2006 Act.

Special resolution

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

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

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

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

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

The power granted by this resolution will unless renewed, varied or revoked by the Company, expire at the conclusion of the next Annual General Meeting of the Company following the date of the passing of this resolution or (if earlier) 12 months from the date of passing this resolution, save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

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

By Order of the Board dated 17 May 2011

Michael de Villiers
Company Secretary

Registered Office
Bridge House
London Bridge
London
UK
SE1 9QR

Notice of the 2011 Annual General Meeting of Ariana Resources PLC

Company Number: 05403426

continued

Notes:

1. As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company. You can only appoint a proxy using the procedures set out in these notes.

2. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

3. A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name in the box. If you sign and return this proxy form with no name inserted in the box, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the Chairman and give them the relevant instructions directly.

4. You may not appoint more than one proxy to exercise rights attached to any one share.

5. To direct your proxy how to vote on the resolutions mark the appropriate box with an 'X'. To abstain from voting on a resolution, select the relevant "Vote withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If you give no voting indication, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

6. To appoint a proxy you must:
   - Ensure that the attached proxy form is completed, signed and sent to Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol UK BS99 7ZY.

7. In the case of a member which is a company, the Form of Proxy must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

8. Any power of attorney or any other authority under which this proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

9. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

10. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

11. You may not use any electronic address provided in this proxy form to communicate with the Company for any purposes other than those expressly stated.

12. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the time by which a person must be entered on the register of members in order to have the right to attend and vote at the Annual General Meeting is 11:00 pm on 19 June 2011, (being not more than 48 hours prior to the time fixed for the Meeting) or, if the Meeting is adjourned, such time being not more than 48 hours prior to the time fixed for the adjourned meeting. Changes to entries on the register of members after that time will be disregarded in determining the right of any person to attend or vote at the Meeting.

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Cover image: 17th century Ottoman Empire cuirass.