ARIANA RESOURCES plc

Ariana Resources PLC
Annual Report & Accounts 2011

Our business at a glance

Our objective

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

Where we operate

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

See more information on pages 08–09

Our key focus for the years ahead

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

See chart opposite for key project timelines

Our business model

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

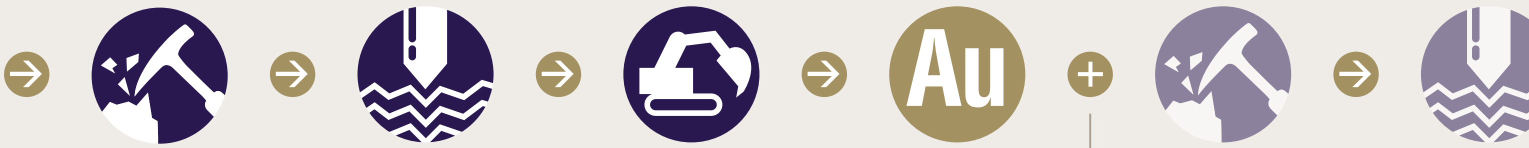
Discovery

Following a recent geophysics programme, a 4,000m drilling programme was initiated at Kiziltepe and will continue on the Kepez West, Karakavak and Kizilcukur prospects. Drill testing will continue throughout H1 2012 and we will be focused on defining areas that could support future resource growth.

See pages 14–19

Production

Ariana is targeting the extraction of 150,000 tonnes of ore per annum with an average production of up to 20,000 oz gold equivalent over approximately eight years from the Kiziltepe sector of the Red Rabbit Gold Project.



Exploration

A key focus for Ariana is grassroots exploration in the highly prospective Western Anatolian Volcanic and Extensional (WAVE) province of western Turkey. Combining results from the 2010–2011 BLEG (Bulk Leach Extractable Gold) stream sediment sampling project with existing geoscientific datasets for the region has identified licence areas which the Company will pursue in future licence auctions and for potential acquisition.

See pages 17 and 19

Development

The Environmental Impact Assessment (EIA) and Feasibility Study (FS) for Kiziltepe are currently underway with completion expected during H2 2012. The Company will be proceeding to financing and construction at Kiziltepe with gold production targeted during 2013.

See page 15

Increased market capitalisation

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

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<tr><th></th><th colspan="4">2011</th><th colspan="4">2012</th><th colspan="2">2013</th></tr>
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Our business model

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

Exploration Discovery Development Au Production

Ariana Resources PLC

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

Our mission

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

2011 Highlights

Exploration
Discovery
Development
Production

Red Rabbit Gold Project

150,000
tonnes ore per annum

Finalisation of the resource estimate and scoping study for the Red Rabbit Gold Project. Highlights include a mine output of 150,000 tonnes ore per annum with an average production of approx. 20,000 oz per year of gold equivalent during the first five years of operation.

8 years+
increased mine life

1,177,800 tonnes
in-pit resources

Completion of the Pre-Feasibility Study (PFS) on the Kiziltepe Sector of Red Rabbit. The PFS showed an increased mine life at Red Rabbit to over eight years, reinforcing the economic potential of the project. The in-pit resources were increased to 1,177,800 tonnes: this corresponds to 118,200 ounces of gold and 1,452,600 ounces of silver, or about 145,000 oz gold equivalent.

4,000m
drilling programme

Commencement of a 4,000m drilling programme on Red Rabbit designed to define mineralised structures, which could contribute additional resources for the mine at Kiziltepe following future resource definition drilling.

Exploration and licence increases

4
new vein systems

Discovery of four new vein systems at Kiziltepe. New vein systems identified include extensions to Fidan, the identification of Gamze and Hande and the drilling discovery of Emel.

New licences

New exploration licences were acquired in the vicinity of Kiziltepe. The acquisition of the Kizilcukur project provides Ariana with access to the entire gold mineralised trend within the Sındırgı Gold Corridor, and contained within the Company's flagship Red Rabbit Gold Project.

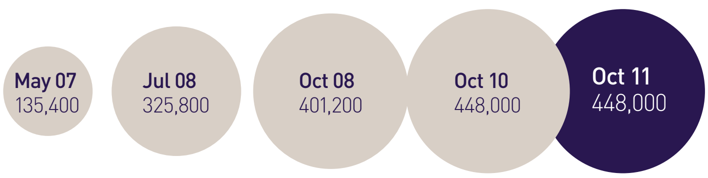
Tigris resources

Exploration

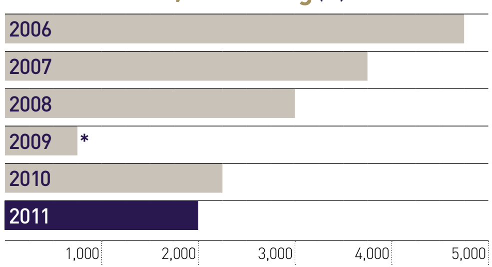
Investment in eastern Turkey-focused Tigris Resources Limited, which is exploring on several porphyry and intrusion-related gold and copper systems.

Resource growth

Figures in gold equivalent ounces



Total Diamond/RC drilling (m)



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

Celebrating 10 years of success
10 years in 10 key steps

2012 marks 10 exciting years of success at Ariana. The Company is now entering a new decade for growth and development as it aims to be Turkey's next gold producer.

10 years of success

2002
Company formation
Formation of company, Ariana Resources Ltd, focuses on exploration in Turkey.

2003
Initial exploration
Exploration in western Turkey and development of proprietary exploration database and geological team.

2004
Licence acquisition
Acquisition of first licences in Turkey using proprietary remote-sensing targeting methodologies.

2005
AIM listing
IPO and AIM listing and acquisition of Kiziltepe.

2006
First drilling programme
First drilling programme of 5,000m at Kiziltepe.

2007
JORC resource estimate
Acquisition of Ardala copper-gold project and first JORC resource estimate for Kiziltepe.

2008
Diversification of exploration portfolio
JV with European Goldfields and acquisition of Tavşan.

2009
Trial gold production
First gold pour from trial production.

2010
JV with Proccea
Red Rabbit Gold Project proceeds to development with Proccea Construction.

2011
Pre-feasibility Study for Red Rabbit
JORC resources of 448,000 ounces gold equivalent, mine life to eight years.

2012
Feasibility and EIA for the mine at Kiziltepe

Chairman's statement

"The year ahead promises to bring further solid progress towards our goal of bringing Red Rabbit into production."

Michael Spriggs
Chairman

Red Rabbit Gold Project area, western Turkey.

It gives me great pleasure to review our activities, at a time when we are proud to celebrate the first 10 years of operation for Ariana Resources.

In that time, the Company has advanced from unassuming origins as an imaginative research concept to become a vibrant and successful exploration and mine development company, now on the threshold of becoming a profitable gold producer. It has been a privilege to have been Chairman since that key date in July 2005 when Ariana listed on the AIM market and successfully launched its IPO.

During this period, there have been many important milestones, on a journey which has shaped our well-defined business strategy.

We continue to pursue aggressively our three-pronged approach. The main thrust remains the Red Rabbit Gold Project in western Turkey, on which we made major progress during the year. After successful trial mining in 2009, Red Rabbit – comprising the Kiziltepe and Tavşan sectors – is now being developed as a mine in Joint Venture (JV) with Proccea Construction Co. who will earn into a 50% stake by committing US$8m to the project.

In 2011, the pre-feasibility study was completed, defining a phased project to bring into production initially the Kiziltepe sector, with an eight-year-plus mine life. This is planned as a 20,000 oz/year open-pit gold operation, scheduled to come into production during 2013, based on in-pit JORC resources of 118,200 oz gold and 1.5 Moz silver.

Kiziltepe accounts for just over half the total Red Rabbit JORC resource of 448,000 oz gold equivalent. Kiziltepe's core operation will be the Arzu South open-pit, with four additional satellite pits on adjacent gold-silver bearing veins. The processing route will be via a conventional CIL (carbon-in-leach) plant.

As part of the planning process, we are well on the way towards completion of the EIA (Environmental Impact Assessment) and obtaining the necessary permits for mining Kiziltepe. In addition, by year-end we had purchased most of the requisite freehold land for our mining operations.

Exploration continues at Kiziltepe, which shows strong potential for further discoveries. During the year we identified four new gold-bearing vein systems. These are being investigated as part of our 4,000-metre 2011–12 drilling programme, using our own drill rig and dedicated drilling team. Similar in character, these veins all form part of the sub-parallel vein system at Kiziltepe. Significantly, continuity of mineralisation was finally established in the gap area between Arzu South and Arzu North with the discovery of the Emel vein.

It is intended that mining the Tavşan portion of Red Rabbit will follow on the completion of Kiziltepe. A preliminary assessment of Tavşan, geologically very different in character, indicates it to be economically viable as a simple heap leach operation, with a potential output of 30,000 oz/year gold equivalent.

The second cornerstone of our business strategy is our programme of grassroots exploration, prospect definition and licence acquisition, whose bold objective is to locate areas with the potential to host multi-million ounce deposits. We are successfully using surface exploration techniques to identify a number of prospective targets over wide areas of western Turkey. The Company is actively seeking to secure the corresponding licences containing the best of these targets via the Turkish Government's auction process.

In parallel, we continue to expand our licence portfolio through acquisition. During 2011, we purchased from KEFI Minerals plc four licence areas some of which lie within the Red Rabbit area of interest.

Finally, the third element of our strategy: the diversification of our portfolio through JVs and investments. Since 2008 we have been in JV with European Goldfields (subsequently acquired by Eldorado Gold), which is funding the exploration of the Ardala and Salinbaş prospects in north-eastern Turkey. This project is yielding increasingly exciting results, and the 2012 drilling programme is designed to take this project to the resource estimation stage.

Additionally, we have our strategic 13% investment in Tigris Resources which gives us access to their pioneering exploration work in south-eastern Turkey. Tigris' extensive airborne reconnaissance work during 2011 in this highly prospective region led to the definition of a number of targets, which are currently the subject of licence applications.

Turkey is becoming an increasingly attractive destination for investment in mining. In the gold sector, there are now six operating mines and a further six in the pipeline. Having overhauled the mining law in 2010, the Turkish Government has further demonstrated its support for the mining industry by improving its mining legislation to provide a more favourable platform for exploration and mining companies. It has introduced tax incentives to encourage foreign investors, introduced a competitive royalty and corporation tax framework, and now waives VAT and customs duty on gold exploration.

Globally, exploration expenditure on the precious metals sector continues to grow and now attracts the lion's share of the total. In 2010, according to the Metals Economics Group of Canada, gold for the first time accounted for over half of total world exploration spending of US$11.2 billion. With a strong correlation with the bullion price, this spending growth trend is likely to continue.

For gold, it was another year of buoyant investment demand and strong overall price performance, with bullion reaching an all-time high of US$1,921/oz in London in September 2011.

For 2012, the outlook is again broadly positive for gold in its role as a safe investment haven: real interest rates remain low or negative and the US Federal Reserve is committed to further monetary stimulation; inflationary concerns persist, particularly in the major South East Asian markets; and uncertainty over Eurozone debt is unlikely to abate. In addition, Central Banks have now become net buyers, reversing the trend of the previous decade.

With such a positive backdrop, it might seem paradoxical that the AIM precious metals sector has underperformed bullion over the past year. Ariana's relative outperformance of the AIM All-Share index for most of the past 12 months masks the market difficulties faced by the junior mining sector during 2011. The sector, of course, was not immune to the general malaise affecting equity markets. The number of mining IPOs dwindled rapidly last year and the number of secondary placings was also well down on 2010. The decline in market liquidity continues to reflect the impact of the global economic downturn and the combination of looser monetary policy and tighter fiscal policy among the major economies.

Despite these headwinds, during 2011 Ariana successfully completed a £1.16 million placing, the proceeds of which are being devoted to maintaining our exploration and development programmes in western Turkey. We also concluded a Standby Equity Distribution Agreement (SEDA) backed loan agreement for US$2m with US-based Yorkville Advisors LLC. The SEDA offers a flexible and cost-effective way of raising capital by selling new stock, offered at a discount, without making a formal Secondary Market Offering to the market. The timing of any sales is entirely under Ariana's control, so we may sell whenever the share price is appropriate – or not at all, if we so decide.

The year ahead promises to bring further solid progress towards our goal of bringing Red Rabbit into production. Proccea has already funded US$1.4m towards the first phase of the project (EIA, Feasibility Study and additional permitting) which is due to be completed in H2 2012. Proccea will then commit a further US$6.6m to the second phase of the project involving plant construction and mine commissioning, so that mining should commence during 2013. To take Red Rabbit through to production will require an additional US$22m. The JV partners are actively examining options for raising this amount through debt finance.

Through an invigorating but challenging year our loyal shareholders have remained steadfast, and we thank them all – large and small – for their continuing support. Ariana has many positive attributes, not least of which are the Company's deep knowledge and decade-long experience of operating in this stimulating and rewarding geological environment. We are fortunate to have such a strong operating and management team, both here in the UK and on the ground in Turkey. I thank them and my fellow board members for their tireless support. The importance of having in place experienced local management who understand the mechanics of operating in Turkey and who are able to connect with key Government agencies cannot be overstated.

We shall continue to pursue our three-point strategy vigorously. As outlined, much of our attention this year will be focused on bringing Red Rabbit into production, but we shall continue to extend our exploration and drilling programmes, and are actively examining further JV and investment possibilities that would complement our strategy.

I hope I have demonstrated how we strive to match our shareholders' commitment to our Company. After 10 years, we are now within sight of significant gold production, turning us into a very different type of AIM junior.

Michael Spriggs
Chairman
23 May 2012

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.

ARIANA RESOURCES plc

Vision

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

Objective

To deliver substantial returns to shareholders.

Strategy

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

We will achieve this by:

- Focusing 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.
- Ensuring safe operating procedures and minimising environmental impact.

Delivering on our strategic vision

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

Mine Development

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

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

In 2011 a Pre-Feasibility Study (PFS) for Red Rabbit was completed by Tetra Tech, showing a mine life of eight years, with in-pit resources of 118,200 ounces of gold and 1,452,600 ounces of silver. Work on the Environmental Impact Assessment (EIA) and the Definitive Feasibility Study (DFS) for Red Rabbit is being funded by Proccea and continues apace, ahead of planned mine construction and advancement to gold production in 2013.

Exploration

The Company's exploration strategy has sought to develop a robust project pipeline, leveraging Ariana's extensive geoscientific database for Turkey to identify targets and define prospects. In 2011 the Ariana team was engaged in a BLEG (Bulk Leach Extractable Gold) sampling programme covering 45,000km^2 in western Turkey. The focus of the programme was to identify targets that have the potential to host multi-million ounce deposits.

Ariana's exploration programme has identified several licence areas of interest which the Company is monitoring, some of which have proceeded to auction in 2012.

Another strategic extension of the licence portfolio was completed in 2011 when Ariana acquired the Kizilcukur Project from KEFI Minerals plc. This project had been drilled previously and has been shown to contain high grades of both gold and silver, all lying within the broader Red Rabbit development area.

Additional exploration work and drilling in the Red Rabbit project area by the Ariana team has also identified new four new vein systems with initial indications of high gold and silver grades.

Joint Ventures and Investments

Diversifying the Company's portfolio through joint ventures and investments has been central to Ariana's strategy. In 2008 the Company announced a joint venture with European Goldfields (now Eldorado Gold) for the development of the Ardala copper-gold deposit in north-eastern Turkey. This JV has continued to deliver very positive exploration results, particularly from the new discovery at Salinbaş. The JV plans to continue its drilling programme and work towards a resource estimate during 2012.

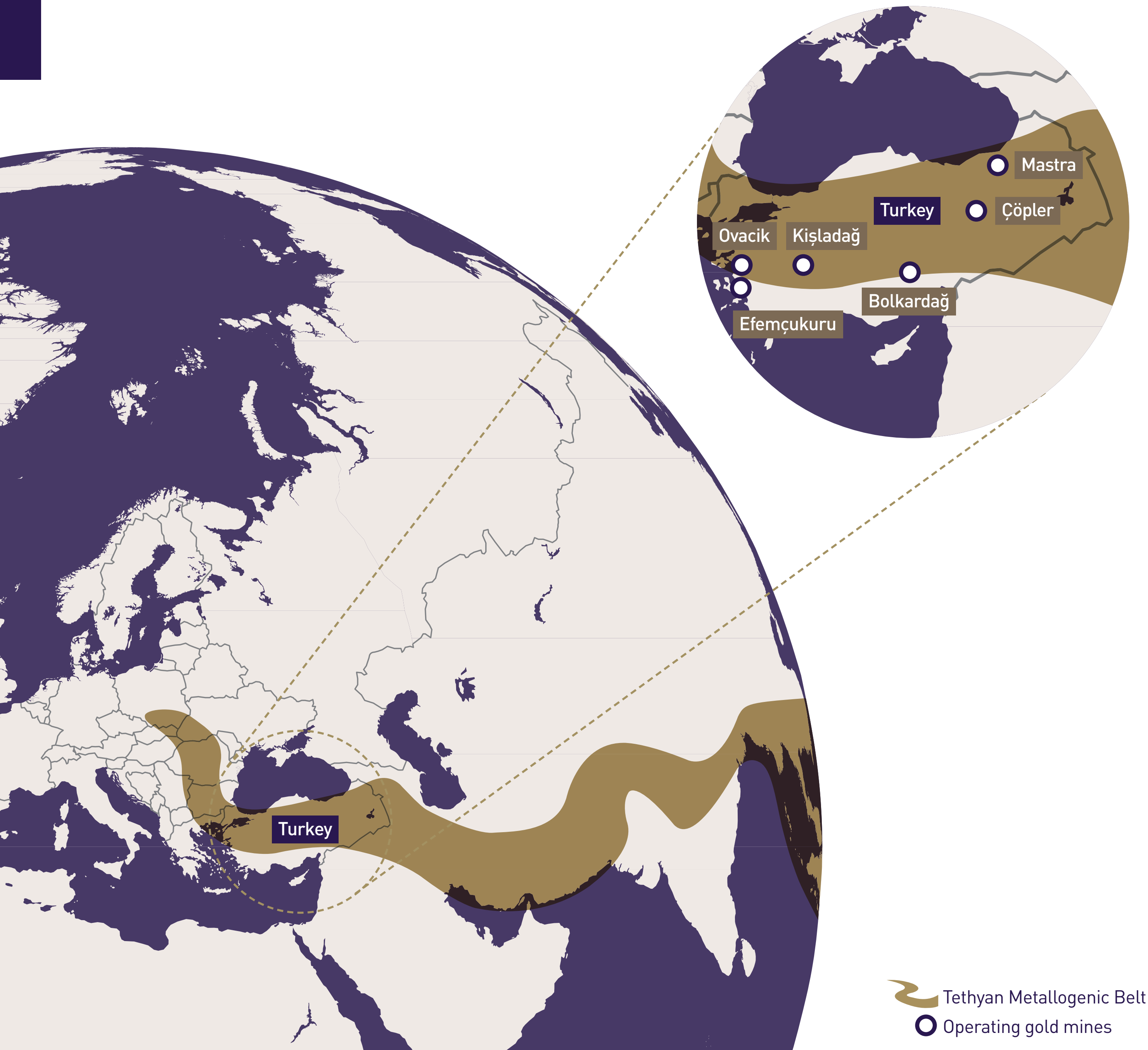
In 2010, Ariana made a strategic investment in Tigris Resources, a private company focused on exploration for copper-gold resources in the highly prospective but under-explored region of south-eastern Turkey. Ariana currently owns 13% of Tigris Resources.

Exploration Discovery Development Production

Why Turkey?

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

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



Recent discoveries

The first recent discovery of gold in Turkey was made in 1988. This discovery became the first modern gold mine in the country, the 1 Moz Ovacik mine. This began production in 2001 and is now one of the most advanced in the world, maintaining the highest of environmental standards. In 2006 production started at the Kişladağ gold mine, and with proven and probable reserves of 10 Moz, it has become the largest single producer of gold in Europe. At present, there are six 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 eleven major deposits.

The legal background

In 2004 new mining legislation introduced wide ranging reforms aimed at attracting foreign investment. Through the simplification of permitting and operating procedures, repatriation of earnings and the ability of foreign companies to hold mining rights, the sector has seen significant investment over recent years. In 2010 this mining law was reviewed and amended to provide a more efficient framework for exploration and development companies operating in the country. A competitive state royalty and corporation tax regime, coupled with VAT and 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.

11
major gold deposits

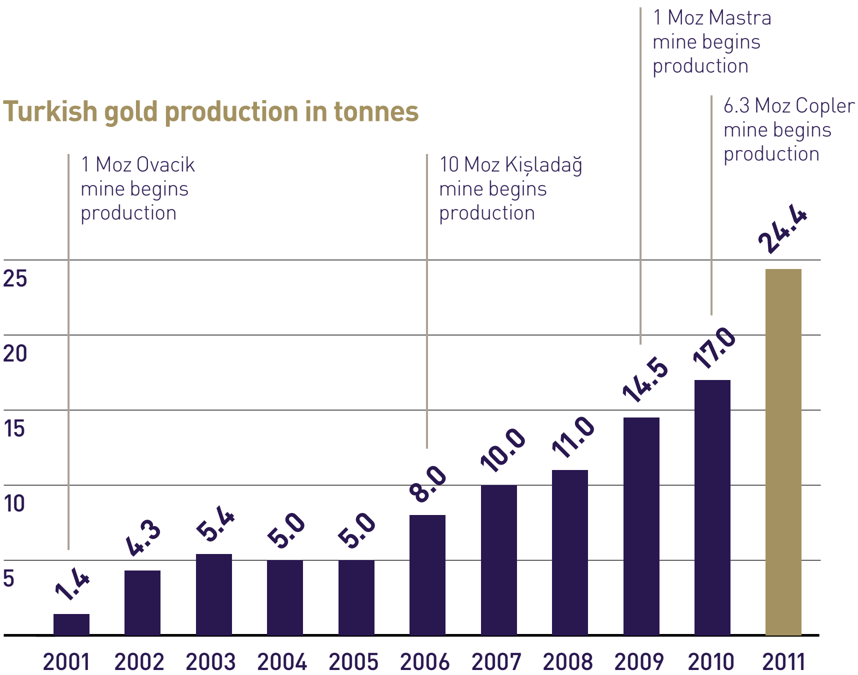
9 Moz*
Turkey's silver production
* 2011 production figure from The Silver Institute

23 Moz
Turkey's estimated gold resources

7th*
Turkey has the seventh largest silver mine in the world
* 2011 figure from The Silver Institute

1. View of the Sındırgı Gold Corridor from Kizilcukur looking south-east;
2. Gold bearing ore from the Tavşan sector showing antimony mineralisation;
3. Ariana drilling team in action at the Kiziltepe sector.

Turkish gold production in tonnes



The gold and silver marketplace

Turkey is host to some of Europe's largest gold reserves, which are typically associated with volcanic rocks. Gold mining in Turkey dates back to ancient times at many of the country's major deposits, including those close to Ariana's Red Rabbit Gold Project.

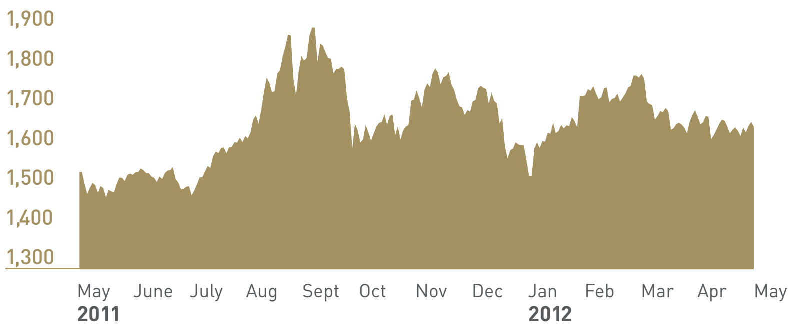
gold price in US$

1,572/oz

Gold market place

For gold, 2011 was another year of buoyant demand and strong overall price performance. In September, bullion reached an all-time high of US$1,921/oz in London. This resilience was tested in the volatile final quarter of 2011: a sharp price retracement reflected a strengthening US dollar and flatter economic growth in emerging markets. Overall, the price rose in 2011 by 10% to average US$1,572/oz, marking a decade-long gold bull market.

Average daily London Gold Price (US$ per ounce)



Underpinning this advance was the strong growth in investment demand and the robust performance of the jewellery and technology sectors despite higher gold prices. On the supply side, mine production rose to a record 2,800 tonnes in 2011, with China (the world's largest gold producer), Russia and the US leading this advance. This gain was offset by a slight drop in scrap gold supply and by Central Bank purchases. Total supply then declined slightly to 4,010 tonnes, matched fairly evenly by total demand which grew 3% to an estimated 4,100 tonnes – worth some US$200 billion.

Demand for physical gold (bars and coins) grew by 24% to a record 1,490 tonnes. This reflected a number of positive factors: growing concern over the financial impact of the Eurozone debt crisis; rising inflation in India and China (two of the world's major gold markets); expectations of further positive price movement; and gold's continuing outperformance of such other asset classes as commodities, global equities and treasury bonds. Holdings in ETFs (exchange-traded products backed by the metal) were 154 tonnes in 2011. Although this was less than half the record demand in 2010, net inflows into ETFs recovered strongly in H2 2011.

For 2012, the outlook is again broadly positive for gold as a continuing safe haven vehicle for wealth protection. Conditions remain supportive for gold investment: real interest rates remain low or negative and the US Fed is committed to further monetary stimulation; inflationary concerns persist, particularly in the major South East Asian markets; and uncertainty over the Eurozone is unlikely to abate. In addition, Central Banks have now become net buyers, reversing the trend of the previous decade. Reserves held by Central Banks have increased by over 500 tonnes in the past two years, and this growth is set to continue. On the supply side, mine production is expected to increase further but scrap supply will probably decline slightly.

Offsetting these influences is the relative strength of the US dollar, which may continue well into 2012. In addition, weaker growth conditions among the major economies doubtless will impact gold jewellery demand. Also, with liquidity worries, some distress selling of gold is possible.

The authoritative Gold Fields Mineral Services (GFMS) gold survey concluded in its January 2012 update that these influences pointed to further price advances in the year ahead. They forecast an average price of US$1,640/oz in H1 rising to US$1,840/oz for H2 – with the possibility of a spike to as high as US$2,000/oz at some stage.

(Sources: GFMS, World Gold Council, LBMA)

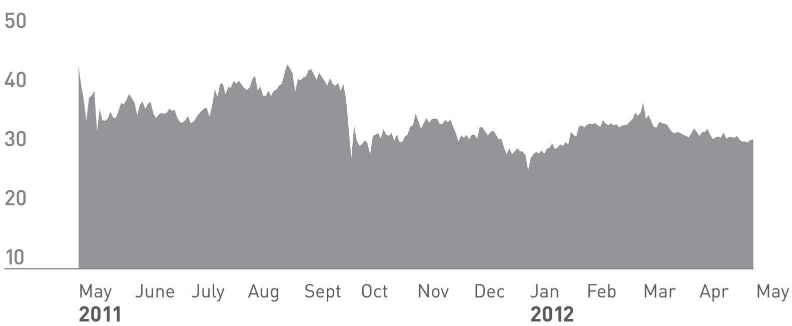
Turkey hosts some of the largest silver deposits in the world. Gümüşköy, which is 55km east of Ariana's Tavşan Sector, is the world's seventh largest silver producer. Gümüşköy was also the site of the world's first underground silver workings, dating back to 3,000BC. The Company's total silver resources currently stand at 3.6 Moz, representing a 9:1 ratio between silver and gold.

1.


2.


1. One ounce gold bar produced from the Kiziltepe trial gold mine;
2. Lattice bladed quartz pseudomorphs after calcite: Kiziltepe ore.

Average daily London Silver Price (US$ per ounce)



silver price in US$
35.00/oz

Silver market place
Silver also enjoyed a strong year in 2011 for similar reasons to those supporting the gold price. The silver price averaged US$35/oz in 2011, a 74% advance on the 2010 average, having surged at one point to a 30-year high of US$49/oz. Silver differs in that around 70% of demand arises from its industrial uses (compared with 10% for gold), but the main driver continues to be robust investment demand, which easily absorbed a substantial 2011 market surplus.

Total world investment was some 275 Moz, slightly lower than in 2010, but valued at a record US$10 billion. Fabrication and industrial demand both grew in 2011 by 4% to new record levels. Jewellery fabrication remained stable in 2011, in part because of its role as a cheaper substitute for gold, but silverware production fell in line with its long term decline trend. Similarly, the structural decline in photographic demand continues through substitution by digital technology. Silver coin demand, however, rose by 20% to an all-time high. Total silver demand grew by over 3% to almost 1,100 Moz.

On the supply side, mine production grew by almost 4% to a record 760 Moz, with higher by-product output from gold and base metal producers. Scrap supply rose by some 7% to 230 Moz, despite the decline in photographic waste. These increases offset lower government sales and producer hedging, so that total supply also rose by 3% to just below 1,100 Moz.

For 2012, GFMS projects further growth in silver fabrication demand, fuelled by gains in industrial off-take, but indicates this will be offset by further increases in mine production and scrap supply. The consequent market surplus is expected to be absorbed comfortably by investment demand, buoyed by continuing concerns over the Eurozone crisis, inflationary fears, liberal monetary policies and the course of major western currencies. Liquidity issues could dampen demand growth but, overall, GFMS expects the bull run in silver to continue and forecasts an annual average price of over US$45/oz in 2012.

(Sources: GFMS, The Silver Institute)

9:1
ratio between silver and gold

Business review

Ariana has maintained its focus on value creation through its strategy to advance the Red Rabbit Gold Project to production, to develop its strategic partnerships with Eldorado Gold and Tigris Resources and expand its future project portfolio through a broad regional exploration programme.

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

Dr. Kerim Sener
Managing Director

2011–2012 Highlights

March	JORC Compliant Resource and Scoping Study
May	New vein system discovered at Kiziltepe
June	Acquisition of four new exploration properties
July	Geophysical results on Red Rabbit
August	Additional vein system discovered at Kiziltepe
October	Commencement of 4,000m drilling programme
January	Discovery of new vein systems

Exploration Discovery Development Production

Red Rabbit Gold Project

Following trial mining at Kiziltepe in 2009, the Company made a strategic decision to create a single integrated project named 'Red Rabbit' comprising its two principal projects at the Kiziltepe and Tavşan sectors. This strategic packaging enabled the Company to enter into a Joint Venture (JV) with Proccea Construction Company (Proccea) in 2010.

Earning in to a 50% stake in the JV company, Zenit Madencilik San. ve Tic. A.S. (Zenit), a total of US$8m will be committed by Proccea during the phased development of the project. To date Proccea has committed US$1.4m and has earned into a 14% stake in Zenit.

The Red Rabbit Gold Project continues to progress at pace towards production. In 2011 the Company successfully completed the Pre-Feasibility Study and prepared its project summary document for submission to the Ministry of the Environment and Town planning as part of the EIA process.

In addition, permitting applications and land acquisition have been underway throughout 2011. Through a 99% owned subsidiary of Ariana, known as Çamyol, approximately 178,372 m^2 of land has been purchased, which corresponds to almost all of the freehold land in the planned Arzu South open-pit area. Further acquisitions are planned during 2012.

Strategic Partnerships

Our strategic partnerships have also continued to deliver this year. Throughout 2011 European Goldfields (which was acquired by Eldorado Gold in February 2012) committed significant funding toward exploration and drilling programmes at Ardala and Salinbaş to determine the potential of these prospect areas.

The Company's strategic investment in Tigris Resources focuses on the underexplored and highly prospective south-eastern region of Turkey. Throughout 2011 Tigris Resources completed extensive aerial reconnaissance work and ground follow-up, during which targets were generated and prospects defined. Exploration work leading up to a drilling programme is now underway at these properties.

Exploration

The Company has two exploration programmes underway in western Turkey. The first aims to identify target areas that have the potential to host multi-million ounce deposits in western Turkey. Following the completion of a 45,000km^2 geochemical sampling programme in 2011, the Company has been able to identify key licence areas for acquisition via the auction process.

The second exploration programme aims to identify further resource potential at the Kiziltepe sector of the Red Rabbit Gold Project. Structural and geophysical studies identified evidence of several buried or poorly exposed vein systems at Kiziltepe. During 2011 four new vein systems were discovered. Drill testing of these sites began during 2011 and will extend into 2012.

Financial

Over the course of the year the Company completed a placing for £1.16m, which was utilised for continuing exploration and development work, notably in the Red Rabbit region and the wider WAVE Project Area in western Turkey. In 2010 the Company had 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. In 2011 the Company completed a US$2m SEDA-backed loan agreement with Yorkville involving an initial tranche of US$750,000.

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.

Within the WAVE Province, the Company is focused on the 'Red Rabbit Gold Project' comprising the Kiziltepe 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 Gold Project as an environmentally friendly small-footprint mine, with mining expected to be initiated at the Kiziltepe sector in 2013.

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 Eldorado Gold and our strategic investment in Tigris Resources, a similar strategy is being pursued.

1. Exploration in eastern Turkey;
2. Stream sediment sampling in the snow in Balikesir Province.

Business review
continued

Advancing to Production: Red Rabbit Gold Project

Kiziltepe Sector

The Kiziltepe Sector (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 the surface for 750m in strike length and are between 1m and 14m wide.

Following a joint venture agreement in 2010, Proccea and Galata Madencilik (Ariana Resources' operating subsidiary in Turkey) have been working in partnership through an incorporated joint stock company Zenit Madencilik San. ve Tic. A.S. (Zenit). Galata and Proccea may each own a 50% shareholding in Zenit, subject to the terms of the JV.

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	103,319	1,294,836	123,311
Main Veins + Kepez	**Indicated**	619	2.3	44.8	46,496	891,368	60,258
Main Veins	Inferred	165	1.8	40.9	9,752	217,005	13,101
Subs. Veins	Inferred	116	1.5	51.3	5,505	191,446	8,457
Halo	**Indicated**	353	1.6	25.8	18,430	293,007	22,954
Halo	Inferred	76	1.4	33.7	3,544	82,341	4,816
Global		2,112	2.8	43.7	187,046	2,970,003	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
Global		4,900	1.26	3.85	202,573	606,109	214,694[2]
Global total					**389,619**	**3,576,112**	**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.

Earning in to a 50% stake in Zenit, a total of US$8m will be committed by Proccea. By the end of 2012 approximately US$2m of this will have been committed to the first phase of development by funding the Environmental Impact Assessment (EIA), Feasibility Study and additional permitting. To date Proccea has earned a 14% stake in Zenit. A further US$6m will be committed towards the second phase of plant construction and commissioning of the gold mine. It is expected that a total capital expenditure of approximately US$28m will be required for the development of the project. An additional funding requirement of approximately US$22m will be required to take the project to production. The JV partners are aiming to secure this additional capital requirement through project 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 of the project is nearing completion with both the EIA and Feasibility Study due to be completed in mid 2012. Based on the current feasibility work, one central pit is envisaged at Arzu South, with satellite pits at Banu, Derya, Arzu North and Kepez. The site layouts were finalised for the Pre-Feasibility Study (PFS) stage and are unlikely to change for the Feasibility Study (FS). The layout minimises the environmental footprint of the plant and related mine infrastructure.

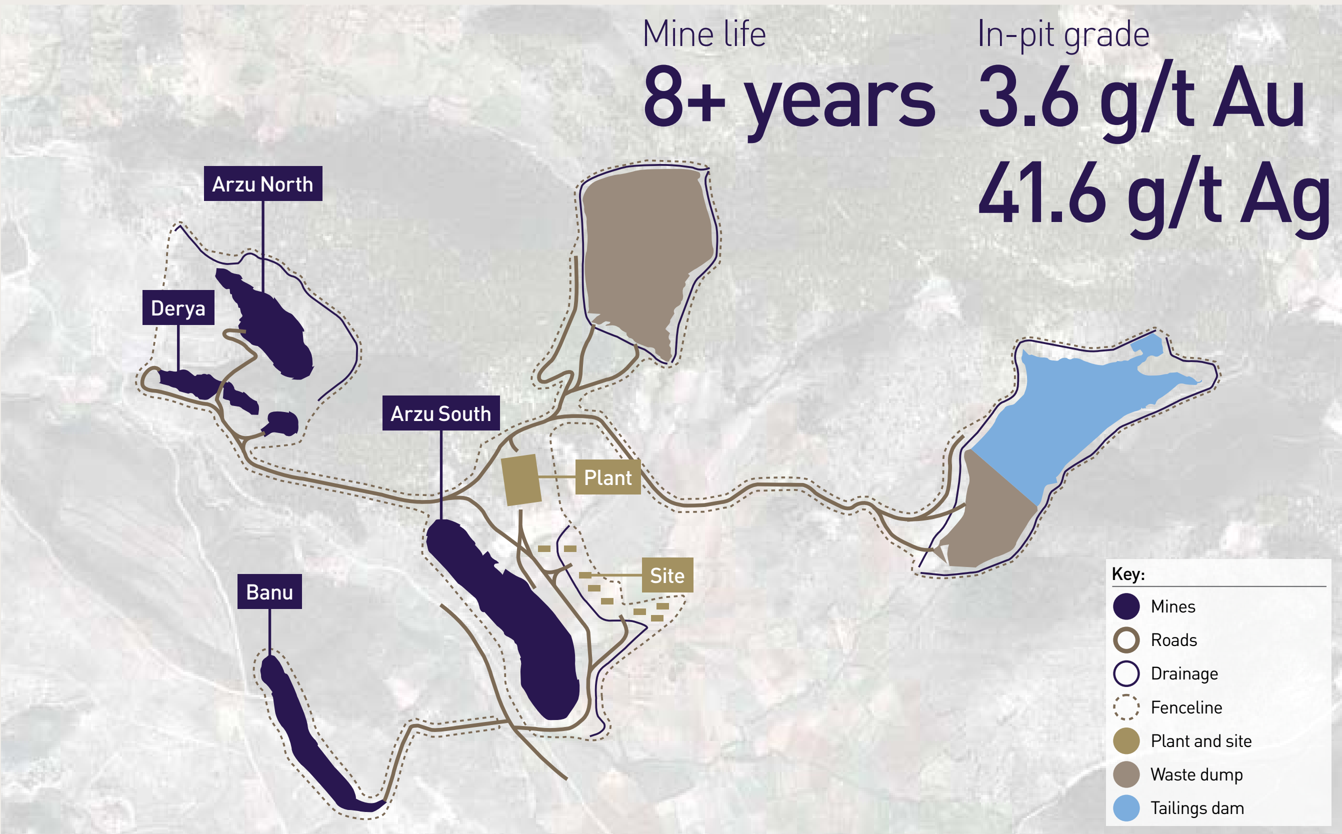
Exploration Discovery Development Production

Case study:
Red Rabbit


Ariana drilling team on night shift at Kiziltepe.

Location	2012 Milestones	Kiziltepe Scoping Study		Near term gold production
Western Turkey inclusive of the Kiziltepe and Tavşan sectors	• Completion of the DFS • Completion of EIA • Further exploration drilling • Completion of land acquisition • Permit applications for mine development	Mine life: Cash cost: Production rate: Total Resource: In-pit grade: Au recovery: Ag recovery:	8+ years US$441–472/oz 150,000 tonnes/annum 2.1m tonnes 3.6 g/t Au 41.6 g/t Ag 88% 78%	In 2009 Ariana combined its two flagship assets, Kiziltepe 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 production is planned in 2013.

Infrastructure plan for Kiziltepe



Business review
continued

1. Tavşan project area; 2. Kiziltepe high-grade ore; 3. RC drilling on Kiziltepe project area; 4. Arzu South vein high grade zone of mineralisation; 5. View over Eğrigöz mountain from Tavşan.

In October 2011 Ariana concluded its Pre-Feasibility Study on Kiziltepe ('PFS') which confirmed the robust economics of the Red Rabbit Gold Project. The PFS showed an increase in mineable tonnage and as a consequence an increase to the mine life to over eight years. Pit optimisation was carried out using a conservative figure of US$1,058/oz Au as a base case. In pit resources now stand at 1,177,800 tonnes corresponding to 118,200 ounces of gold and 1,452,600 ounces of silver at an average grade of 3.6 g/t Au and 41.6 g/t Ag respectively.

Work on the Environmental Impact Assessment is still underway, whilst the environmental baseline studies drew to a close in late 2011. A project summary document has been prepared and will be submitted in accordance with Turkish government regulations to the Ministry of the Environment and Town Planning.

Many of the required permits are now in place for the development of the Kiziltepe mine and land acquisition has been underway throughout 2011. A new subsidiary of Ariana, known as Çamyol, has been established for acquisitions of strategic freehold land in the vicinity of the planned Arzu South pit. In 2011, Çamyol purchased approximately 178,372m^2 of land, which corresponds to approximately three-quarters of the freehold land in the Arzu South area. Further acquisitions are planned in Q2 2012. Any land acquired by Çamyol will either be sold in to or leased to Zenit for the duration of the project (Ariana's subsidiary Galata Madencilik is 99% shareholder of Çamyol).

Exploration Discovery Development Production

The potential to expand the project at Kiziltepe is significant as the current resource and economics are based on just 20% of the known vein system. A drilling programme was initiated in Q4 2011 with the aim of better defining mineralised structures across the Project area that could host open-pittable resources in the future. These would provide additional mill feed for the planned plant at Kiziltepe. Ariana's own drilling team and rig have been mobilised and the Company now runs a two shift 24 hour drilling operation.

Previous structural and geophysical studies at Kiziltepe showed evidence for further resource potential within buried vein systems in the area. In May 2011 the Company announced the discovery of the Fidan and Gamze veins, running approximately parallel to the Arzu North and Arzu South veins. This 1,800m long vein system shows similar surface sample results to other high-grade gold bearing vein systems at Kiziltepe. Initial results show continuous gold grades of up to 10.7 g/t Au Eq.

In August 2011 the Hande vein was discovered. It lies parallel to the Fidan and Gamze veins. This vein shows gold grades of up to 7.74 g/t Au Eq. and shows the potential to extend into the planned Banu pit.

In February 2012 drilling by the Company resulted in the discovery of the Emel vein, which is located in the undercover 'gap zone' between Arzu North and Arzu South.

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 Resources Ltd. Current JORC compliant resources stand at 215,000 oz Au Eq.

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. Owing to the relatively gently dipping nature of the jasperoid, much of the mineralisation is potentially open-pittable.

Due to the simplicity of the project and acceptable metallurgical recoveries reported in column-leach test work, 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 Tavşan has been completed and a positive result was achieved.

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

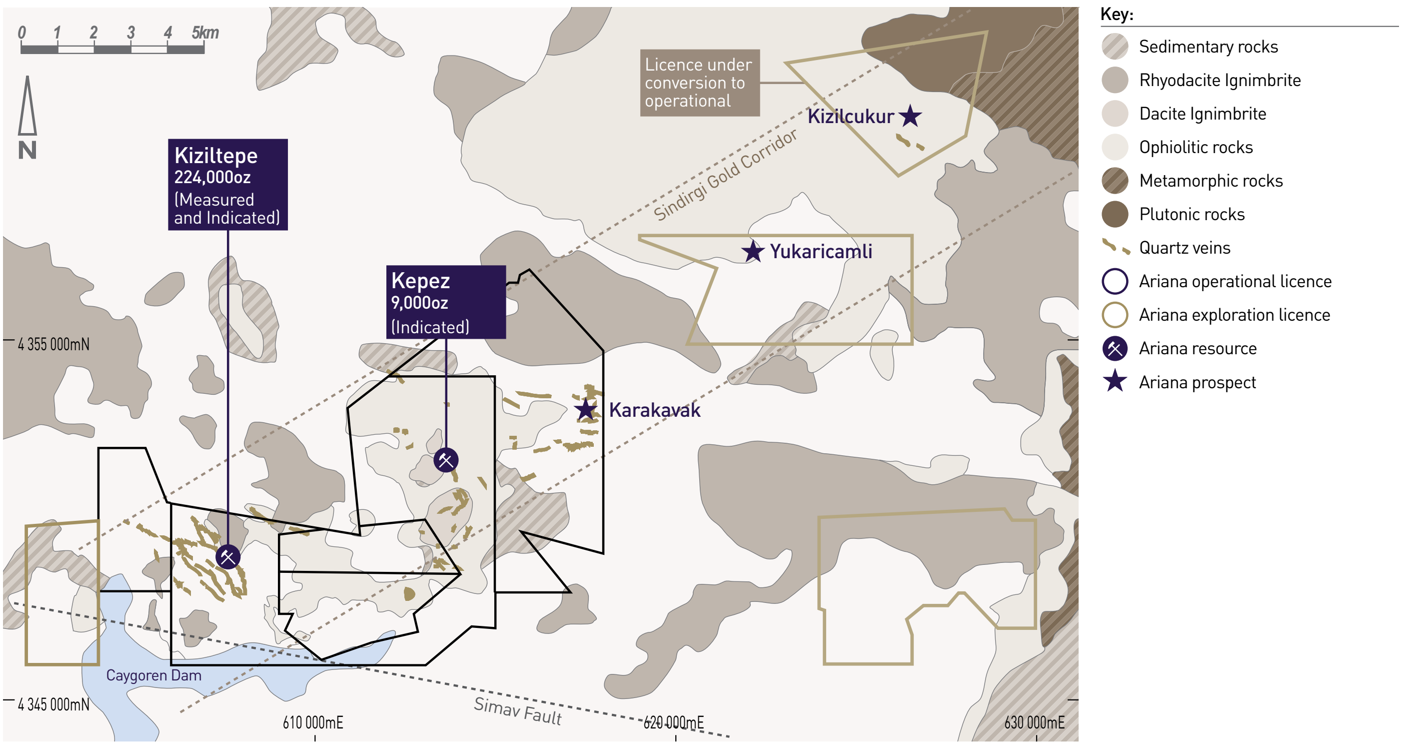
Project Portfolio Expansion: Regional Exploration

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

Following extensive grassroots exploration in 2010, 20 prospective target licences have been identified in Ariana's area of interest. These targets were refined on the basis of exploration and other geo-scientific datasets and all have the potential to host gold mineralisation. The licence auction process began in January 2012.

In July 2011 four exploration licences covering two highly prospective project areas; Kizilcukur and Muratdağ were acquired from AIM-listed Turkish explorer KEFI Minerals plc. The acquisition of the Kilizcukur project now provides Ariana with access to the entire gold mineralised trend within the Sındırgı Gold Corridor, which is contained by the Company's flagship Red Rabbit Gold Project.

Prospect locations within the Sındırgı Gold Corridor



Unmanned Aerial Vehicle (UAV) at Kiziltepe.

Location	Project background	2011 highlights
Kiziltepe sector of the Red Rabbit Gold Project	• Structural and geophysical studies at Kiziltepe showed evidence for further resource potential within the area • 4,000m drilling programme initiated	**Discovery of a 1,800m vein system: Fidan and Gamze veins** Initial results show continuous gold grades of up to 10.7 g/t Au Eq. **Discovery of the Hande vein** Gold grades of up to 7.74 g/t Au Eq. with the potential to extend into the planned Banu pit. **Discovery of the Emel vein** Emel is located in the undercover 'gap zone' between Arzu North and Arzu South.

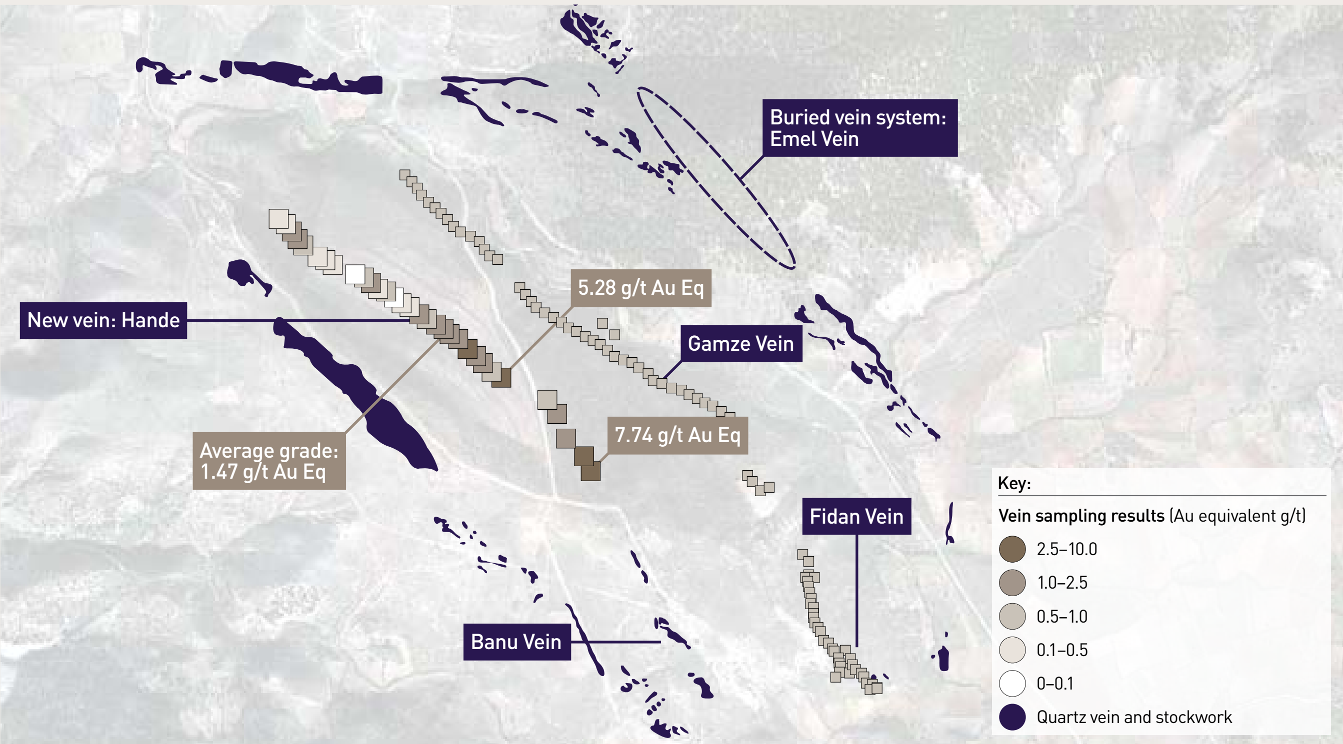
Drilling programme initiated

4,000m

Discovery of veins

4

Map of parallel vein systems at Kiziltepe



Strategic Partnerships: Eldorado Gold

Reconnaissance exploration in eastern Turkey for large porphyry copper-gold and related deposits identified potential in north-eastern Turkey and resulted in the acquisition of the Ardala Project by the Company. This project, in addition to several other licences, is now being advanced through a Joint Venture agreement with Eldorado Gold (which acquired European Goldfields in 2012). A Joint Venture exploration company, 49% owned by Ariana Resources and named Pontid Madencilik San. ve Tic. Ltd., was established in 2008. The Joint Venture includes a free-carry to bankable feasibility at 20% or 10%, for initial projects or new projects, respectively.

Ardala and Salinbaş

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 volcanic-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.

Since 2008 European Goldfields had spent approximately US$4.5m towards exploration and drilling programmes at the Ardala and Salinbaş prospects. A total of 8,913m of diamond drilling has been completed over these properties. In addition, a regional sampling programme has been underway, which is aimed at selecting other targets for licence applications across the Pontides region.

The virgin discovery of Salinbaş in 2009 by our JV team was a true exploration success and the prospect continues to yield highly encouraging drilling results. The Salinbaş system is open to the south and to the east, which indicates that there is considerable scope to define a substantial gold system. The orientation of the mineralisation and the continuity of high grades suggest that the mineralised body will provide for a resource that could be mined by open-pit methods.

The JV team is currently planning for a further drilling programme scheduled to commence in H2 2012 and resource estimation is currently underway.

Strategic Partnerships: Tigris Resources

The Tigris Resources exploration team is focused on defining exploration targets across south-eastern Turkey. During the year an airborne reconnaissance programme was completed with ground validation of targets generated. Work continued on a number of licences held in JV with a Turkish mining company. At one location several drilling targets are being identified in advance of a drilling programme scheduled for mid 2012.

Outlook

2011 saw the Company focus its efforts on progressing Red Rabbit Gold Project toward production whilst growing its mineral exploration footprint in western Turkey.

The joint venture between Ariana and Proccea has enabled steady progress against key strategic milestones for Red Rabbit. The team is now on track to enter into forward discussions for project finance and to finalise both the EIA and Feasibility Study in 2012.

Finally, 2012 marks a decade since Ariana Resources' inception. In this time we have gone from grass roots exploration to the brink of gold production. Our vision and dedication to gold exploration and development in Turkey remains focused and we are excited about the next decade of growth for the Company.

Dr. Kerim Sener
Managing Director
23 May 2012

Exploration Discovery Development Production

Corporate responsibility

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

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

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

Training and Development

Local community

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

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

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

1.

2.

"From its inception Ariana has valued the extensive support it has received from the local community. We are proud to be part of the continuing development of opportunities for the Sındırgı community."

Dr. Kerim Sener, Managing Director, Ariana Resources PLC

1. The Ariana drilling team;
2. Ariana drilling team following record breaking drilling shift;
3. Traditional carpets from Sındırgı in western Turkey;
4. Ariana sponsors the Sındırgı International Yağcıbedir Carpet, Culture and Art Festival.

Undergraduate and post graduate

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

Ariana also supports postgraduate development. Currently one PhD thesis is underway at Cardiff University: this is focused on the gold metallogenesis of western Turkey. In Turkey, Ariana's research ties with Dokuz Eylül University in Izmir have enabled Ariana to fill junior exploration positions with promising young graduates.

Local government involvement

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

Sındırgı International Yağcıbedir Carpet, Culture and Art Festival

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

3.

4.

Directors

Michael Spriggs
BA (Hons) MA MSc
Chairman, aged 69

Michael has 40 years' mining sector experience having graduated from Oxford University with a BA (Hons) in 1964 and an MA in 1968. He obtained an MSc in Geology and Mineral Sciences from the University of Leicester in 1969. He worked for a number of major mining groups, including Anglo American, Falconbridge and Rio Tinto. Michael spent 12 years with the mining team of the UK investment bank SG Warburg (now UBS) from 1986–97. He was appointed Head of the South African Mining Equities Research Team and was subsequently appointed Director of Corporate Finance. Between 1997 and 2004 he was a partner at College Hill, the UK public relations consultancy, as head of the Mining Team.

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

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

Kerim Sener
BSc (Hons) MSc DIC PhD
Managing Director, aged 35

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 TSX-listed Mediterranean Resources Ltd.

Michael de Villiers
B. Comm. Professional Accountant (SA) MIOD
Director and Company Secretary, aged 49

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

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

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

William Payne
BA (Hons) ACA
Non-Executive Director and Chief Financial Officer, aged 47

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.

William serves on the Company's Remuneration Committee.

Senior staff

Erhan Şener
BA MA
General Manager, aged 68

Erhan is a Turkish national and has 41 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 Koldaş
BSc MSc
Technical Director, aged 43

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

Ufuk Çakir
BSc
Tenement Manager, aged 30

Ufuk is a Turkish national and has seven 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 operations 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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A K Sener
M J de Villiers
W J B Payne

Secretary
M J de Villiers

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Report of the Directors

For the year ended 31 December 2011

The directors present their report with the audited financial statements of the Company and the Group for the year ended 31 December 2011.

Principal activity

Ariana Resources PLC (the "Company") is a public limited company incorporated and domiciled in Great Britain. The Company's shares are listed on the AIM market of the London Stock Exchange plc. The principal activities of the Company and its subsidiaries (the "Group") are related to the exploration for and development of gold and other minerals in Turkey.

Review of business

The results for the year and financial position of the Company and the Group are as shown in the annexed financial statements.

A review of the Group's activities during the year is contained within the Chairman's Statement and Business Review on pages 04 to 05 and 12 to 19.

Key performance indicators

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

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

Financial KPIs

- Shareholder return – the performance of the share price and market capitalisation versus its peer group;
- Exploration expenditure – by type and by project;
- Cash flow forecasts; and
- Capital raising.

Non-financial KPIs

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

The Group's performance is considered in more detail in the Business Review on pages 12 to 19.

Capital management

The Group's objectives when managing capital is to safeguard the Group's ability to continue as a going concern and have access to adequate funding for its exploration and development projects, so that it can provide returns for shareholders and benefits for other stakeholders. Further details are provided in note 23 to the financial statements.

Risk management

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

Exploration risk

Inherent risks associated with the failure to discover or acquire an economically recoverable ore reserve, to conclude a bankable feasibility study, and to obtain the necessary consents and approvals for the conduct of exploration and mining. The Board is committed to reviewing progress relating to the development of its various exploration targets and assesses this against planned expenditure and expected outcomes. The Group employs highly trained geologists with extensive knowledge of the style of gold/silver mineralisation experienced in western Turkey.

Political/in-country risk

Political instabilities which could cause the loss of an asset through expropriation, war or unrest. Turkey benefits from a stable political environment and has established fiscal and mining codes' and respect for the rule of the law. The Group enjoys a good working relationship with the relevant authorities in Turkey and has a permanent management team in the country to monitor developments.

Environmental/safety risk

Major pollution arising from operations and/or loss of life due to systems or equipment failure. The Group adopts best practice in the industry with on-site, country level and corporate level policies and procedures.

Commodity risk
A potential fall in commodity prices which could lead to it becoming uneconomic for the Company to mine its assets. The Group's principal interest is gold and silver which continued to experience buoyant demand during 2011. The outlook for gold remains broadly positive as a continuing safe haven vehicle for wealth protection. The Group will consider the use of appropriate hedging products to mitigate this risk as it approaches production.

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

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. The Group maintains tight financial and budgetary control to keep its operations cost effective. Although it has been successful in the past, there can be no assurance that adequate funding will be available when required to finance the Group's activities. However, the directors have a reasonable expectation that they will secure additional funding as and when required.

Foreign currency risk
Sensitivity to foreign currency risk due to exposure to Turkish Lira, arising from the Group's primary operations being in Turkey. The Group finances its overseas operations by transferring Pounds Sterling from the UK to meet local operating costs which are generally either denominated in Turkish Lira or US Dollars. The Group maintains the majority of its cash in Pounds Sterling and continues to monitor relevant currency movements and take action where appropriate.

Further details of the Group's financial risk management objectives are set out in note 24 to the financial statements.

Directors
The directors during the year under review were:
M J Spriggs
A K Sener
M J de Villiers
W J B Payne

The beneficial interests of the directors holding office on 31 December 2011 in the ordinary issued share capital of the Company were as follows:

	2011	2010
M J Spriggs	783,072	683,072
A K Sener	4,350,000	4,350,000
M J de Villiers	2,349,142	2,249,142
W J B Payne	452,632	350,000

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	2011	2010
M J Spriggs	2,212,534	712,534
A K Sener	5,994,463	994,463
M J de Villiers	3,760,334	760,334
W J B Payne	1,500,000	–
Total	**13,467,331**	**2,467,331**

Report of the Directors
For the year ended 31 December 2011
continued

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

On 9 February 2011 the Company issued 3,988,985 new ordinary shares for a total consideration of £150,000 for the fees relating to the establishment of a Standby Equity Distribution Agreement ("SEDA.").

On 18 February 2011 the Company issued 24,513,158 new ordinary shares for a total consideration £1,164,375 for working capital, and a further 49,026,316 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 438,333 new ordinary shares at 6p for the settlement of service costs.

On 3 July 2011 the Company issued 910,747 shares for a consideration of £50,000 in connection with the acquisition of mineral exploration licences.

Between August and December 2011 the Company issued 7,841,578 shares in connection with the exercise of warrants at 4.75p for a consideration of £372,475.

Since the year end a further 9,657,175 shares have been issued in connection with the exercise of warrants at 4.75p for a consideration of £458,175.

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 £3,000,000.

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 £3,000,000.

The authorities mentioned above will if passed both 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 14 May 2012:

Shareholder	Ordinary shares	% of Issued Share Capital
The Bank of New York (Nominees) Limited	43,279,159	16.07
Eldorado Gold Corporation	28,271,016	10.50
Mr Bruce Rowan	24,400,000	9.06
Starvest PLC	21,600,526	8.02
Barclayshare Nominees	14,533,476	5.40
TD Direct Investing Nominees	12,376,317	4.60
L R Nominees Limited	9,105,054	3.38
Hargreaves Lansdown (Nominees)	9,081,711	3.37
Share Nominees Limited	8,145,024	3.02

Dividends
No dividends will be distributed for the year ended 31 December 2011 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 2011 were 30 days (2010: 30 days).

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

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

Post year end events
Details of post year end events are set out in note 22 to the financial statements.

Statement of directors' responsibilities
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. As required by the AIM Rules for companies of the London Stock Exchange they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

Provision of information to 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 2011
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 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 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

During the year KPMG Audit Plc were appointed by the Directors as auditors of the Company in place of Grant Thornton UK LLP. KPMG Audit Plc have expressed their willingness to continue in office as auditors of the Company, and a resolution to confirm their appointment will be proposed at the forthcoming Annual General Meeting.

By order of the Board

M J de Villiers
Company Secretary
23 May 2012

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 2011 set out on pages 30 to 53. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 27, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (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 2011 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Adrian John Wilcox
Senior Statutory Auditor
for and on behalf of KPMG Audit Plc
Statutory Auditor, Chartered Accountants
London
23 May 2012

Consolidated statement of comprehensive income

for the year ended 31 December 2011

	Note	2011 £'000	Restated* 2010 £'000
Administrative costs		(1,291)	(466)
General exploration expenditure		(181)	(326)
Other income	4	74	345
Operating loss	5	**(1,398)**	**(447)**
Investment income		51	9
Loss before tax	6	(1,347)	(438)
Taxation	7	–	(17)
Loss for the year		**(1,347)**	**(455)**
Other comprehensive income			
Exchange differences on translating foreign operations		(239)	(1)
Other comprehensive income for the year net of tax		**(239)**	**(1)**
Total comprehensive income for the year		**(1,586)**	**(456)**
Loss per share (pence):			
Basic and diluted		(0.54)	(0.22)

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.

* See note 1 and note 25.

Consolidated statement of financial position

for the year ended 31 December 2011

	Note	2011 £'000	Restated* 2010 £'000
Assets			
Non-current assets			
Other receivables	13	12	12
Available for sale investments	12a	169	71
Intangible exploration assets	10	4,627	3,840
Property, plant and equipment	11	311	176
Total non-current assets		**5,119**	**4,099**
Current assets			
Trade and other receivables	14	340	757
Available for sale investments	12a	–	56
Cash and cash equivalents		908	730
Total current assets		**1,248**	**1,543**
Total assets		**6,367**	**5,642**
Equity			
Called up share capital	16	2,597	2,220
Share premium		6,481	5,167
Other reserves		720	720
Share based payments reserve		578	100
Translation reserve		(176)	63
Retained earnings		(4,250)	(2,903)
Total equity attributable to equity holders of the parent		**5,950**	**5,367**
Liabilities			
Current liabilities			
Trade and other payables	15	417	275
Total current liabilities		**417**	**275**
Total equity and liabilities		**6,367**	**5,642**

The financial statements were approved by the Board of Directors and authorised for issue on 23 May 2012. They were signed on its behalf by:

M J Spriggs
Chairman

A K Sener
Director

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

* See note 1 and note 25.

Company statement of financial position

for the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Assets			
Non-current assets			
Available for sale investments	12a	169	71
Investments in group undertakings	12b	274	217
Total non-current assets		**443**	**288**
Current assets			
Trade and other receivables	14	6,041	4,920
Available for sale investments	12a	–	56
Cash and cash equivalents		–	12
Total current assets		**6,041**	**4,988**
Total assets		**6,484**	**5,276**
Equity			
Called up share capital	16	2,597	2,220
Share premium		6,481	5,167
Share based payments reserve		578	100
Retained earnings		(3,217)	(2,226)
Total equity		**6,439**	**5,261**
Liabilities			
Current liabilities			
Trade and other payables	15	45	15
Total current liabilities		**45**	**15**
Total equity and liabilities		**6,484**	**5,276**

The financial statements were approved by the Board of Directors and authorised for issue on 23 May 2012. They were signed on its behalf by:

M J Spriggs
Chairman

A K Sener
Director

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

Consolidated statement of changes in equity

for the year ended 31 December 2011

	Share capital £'000	Share premium £'000	Other reserves £'000	Share options £'000	Translation reserve £'000	Retained earnings £'000	Total attributable to equity holders of parent £'000
Changes in equity to 31 December 2010							
Balance at 1 January 2010	**1,709**	**4,738**	**720**	**100**	**64**	**(2,448)**	**4,883**
Loss for the year (Restated)*	–	–	–	–	–	(455)	(455)
Other comprehensive income – exchange differences on translating foreign operations	–	–	–	–	(1)	–	(1)
Total comprehensive income	**–**	**–**	**–**	**–**	**(1)**	**(455)**	**(456)**
Issue of share capital	511	518	–	–	–	–	1,029
Share issue costs	–	(89)	–	–	–	–	(89)
Transactions with owners	511	429	–	–	–	–	940
Balance at 31 December 2010 (Restated)	**2,220**	**5,167**	**720**	**100**	**63**	**(2,903)**	**5,367**
Changes in equity to 31 December 2011							
Loss for the year	–	–	–	–	–	(1,347)	(1,347)
Other comprehensive income – exchange differences on translating foreign operations	–	–	–	–	(239)	–	(239)
Total comprehensive income	**–**	**–**	**–**	**–**	**(239)**	**(1,347)**	**(1,586)**
Share based payments	–	–	–	478	–	–	478
Issue of share capital	377	1,386	–	–	–	–	1,763
Share issue costs	–	(72)	–	–	–	–	(72)
Transactions with owners	377	1,314	–	478	–	–	2,169
Balance at 31 December 2011	**2,597**	**6,481**	**720**	**578**	**(176)**	**(4,250)**	**5,950**

The accompanying notes form part of these financial statements.

* See note 1 and note 25.

Company statement of changes in equity

for the year ended 31 December 2011

	Share capital £'000	Share premium £'000	Share options £'000	Retained earnings £'000	Total £'000
Changes in equity to 31 December 2010					
Balance at 1 January 2010	**1,709**	**4,738**	**100**	**(1,867)**	**4,680**
Loss for the year	–	–	–	(359)	(359)
Total comprehensive income	–	–	–	(359)	(359)
Issue of share capital	511	518	–	–	1,029
Share issue costs	–	(89)	–	–	(89)
Transactions with owners	511	429	–	–	940
Balance at 31 December 2010	**2,220**	**5,167**	**100**	**(2,226)**	**5,261**
Changes in equity to 31 December 2011					
Loss for the year	–	–	–	(991)	(991)
Total comprehensive income	**–**	**–**	**–**	**(991)**	**(991)**
Share based payments	–	–	478	–	478
Issue of share capital	377	1,386	–	–	1,763
Share issue costs	–	(72)	–	–	(72)
Transactions with owners	377	1,314	478	–	2,169
Balance at 31 December 2011	**2,597**	**6,481**	**578**	**(3,217)**	**6,439**

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2011

	Note	2011 £'000	Restated* 2010 £'000
Cash flows from operating activities			
Cash generated from operations	17a	(626)	(1,158)
Net cash outflow from operations		**(626)**	**(1,158)**
Cash flows from investing activities			
Purchase of investments		(98)	(137)
Proceeds from sale of share of Zenit		164	638
Proceeds from sale of investments		135	12
Purchase of property, plant and equipment		(179)	(15)
Payments for intangible assets (excluding capitalised depreciation)		(960)	(467)
Investment income		51	9
Net cash used in investing activities		**(887)**	**40**
Cash flows from financing activities			
Proceeds from issue of share capital		1,691	940
Net cash proceeds from financing activities		**1,691**	**940**
Net (increase)/decrease in cash and cash equivalents		178	(178)
Cash and cash equivalents at beginning of year		730	908
Cash and cash equivalents at end of year		**908**	**730**

The accompanying notes form part of these financial statements.

* See note 1 and note 25.

Company statement of cash flows

for the year ended 31 December 2011

	Note	2011 £'000	Restated 2010 £'000
Cash flows from operating activities			
Cash generated from operations	17b	(50)	137
Net cash outflow from operations		**(50)**	**137**
Cash flows from investing activities			
Purchase of investments		(97)	(137)
Proceeds from sale of investments		135	12
Net cash used in investing activities		**38**	**(125)**
Net (decrease)/increase in cash and cash equivalents		(12)	12
Cash and cash equivalents at beginning of year		12	–
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. As a consequence the prior year cash flow statement has been restated to reflect this and the actual cash and cash equivalent flows of the Company.

The accompanying notes form part of these financial statements.

Notes to the consolidated financial statements

for the year ended 31 December 2011

1. General information

Ariana Resources PLC (the "Company") is a public limited company incorporated and domiciled in Great Britain. The Company's shares are listed on the Alternative Investment Market of the London Stock Exchange. The principal activities of the Company and its subsidiaries (the "Group") are related to the exploration for and development of gold and other minerals in Turkey.

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

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

Basis of preparation

The Group consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, effective for the Group's reporting for the year ended 31 December 2011.

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with IFRS. These financial statements have been prepared under the historical cost convention, (except for available for sale financial assets) and the accounting policies have been applied consistently throughout the Group.

Prior year restatement

In the prior year the Group consolidated its investment in Madencilik San. ve Tic. A.S. ("Zenit") as a subsidiary undertaking. The Directors now consider that the Group's investment in Zenit should be proportionally consolidated in accordance with IAS 31 Joint Ventures, as the Group shares control of Zenit with its Red Rabbit joint venture partner Proccea Construction Co. This has been corrected by way of a prior year restatement. Further details of the impact of this restatement are set out in note 25.

As Zenit only came into existence during the year ended 31 December 2010, this restatement does not have an impact at the beginning of the comparative period and accordingly no 3rd statement of financial position has been presented.

Going concern

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

In January 2011 the Group arranged a £5 million Standby Equity Distribution Agreement ("SEDA") with Yorkville Advisers LLC. This entitles the Group to draw down funds in exchange for the issue of shares at a price based on the Company's market price over the previous 10 day period. In addition in January 2012, the Group also finalised a $2m loan agreement to assist with the development of the Red Rabbit Gold Project, further details of which are set out in notes 22 to the financial statements.

At the year end the Group had cash and cash equivalents amounting to £908,000, and in January 2012 the Company drew down $750,000 in accordance with the terms of the aforementioned loan agreement. In the light of the Group's ability to raise funds in the past, the loan agreement, and their experience of financing discussions to date, the directors have a reasonable expectation of raising the necessary finance to complete ongoing exploration programme and to finance the forthcoming development of mining operations as and when required In future, and therefore consider it appropriate to draw up the accounts on the going concern basis.

New Accounting Standards and Interpretations.

During the year, the Group has adopted the Improvements to IFRSs 2010, IAS 24 Related Party Disclosures (Amendment), Amendment to IAS 32 Classification of Rights Issues and IFRIC 19 "Extinguishing financial liabilities with equity instruments". The application of these new Standards did not have any impact on the financial performance of the Group.

The following new and revised IFRSs have been issued but are not yet effective and have not been adopted early by the Group:

Amendments to IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets

The amendments increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The Directors do not anticipate that the amendments will have a significant impact on the Group's disclosures.

Significant accounting policies

Basis of consolidation

The consolidated financial statements comprise the financial statements of Ariana Resources PLC and its subsidiaries for the year ended 31 December 2011.

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

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

On a change in stake without loss of joint control the Group recognises a profit or loss calculated as the cash received from the sale less the reduction in the ownership interest in pre-existing net assets, together with a reclassification of associated reserves.

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 2011
continued

1. General information continued
In the Company accounts, investments in subsidiary undertakings and entities under joint control are held at cost.

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
In 2010 the Group's principal source of other income related to the receipt of a fee that became payable on the successful conclusion of the joint venture agreement with Proccea in connection with the Red Rabbit Gold Project. The Group's other income otherwise represents consultancy fees and interest receivable from bank deposits. Interest income is accrued on a time basis, by reference to the principal outstanding and the effective rate of interest applicable. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Operating expenses are recognised in the statement of comprehensive income upon utilisation of the service or at the date of their origin and are reported on an accruals 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 Group's presentation currency.

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

- Group companies
  The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
  - income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transaction); and
  - all resulting exchange differences are recognised as a separate component of equity. On consolidation, exchange differences arising from the translation of monetary items receivable from foreign subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the statement of comprehensive income as part of the gain or loss on sale.

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

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

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

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

Depreciation charged on exploration and evaluation assets is capitalised within intangible exploration assets.

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

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

The recoverability of all exploration and development costs is dependent upon the discovery of economically recoverable reserves, the ability of the Group to obtain necessary financing to complete the development of reserves and future profitable production or proceeds from the disposition thereof. Exploration and evaluation assets shall no longer be classified as such when the technical feasibility and commercial viability of extracting mineral resources are demonstrable. When relevant such assets shall be assessed for impairment, and any impairment loss recognised, before reclassification to mine development.

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

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

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

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

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

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

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

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

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

Equity instruments
Equity instruments issued by the Company are recorded 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.

Where shares are issued in settlement of goods or services supplied, the relevant expense is recorded In the consolidated statement of comprehensive income, with the related share issue recorded within share capital and share premium.

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

Notes to the consolidated financial statements

for the year ended 31 December 2011
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 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 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.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors who have been identified as responsible for allocating resources and assessing performance of the operating segments.

Pensions

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

Accounting estimates and judgements

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

- Intangible exploration assets

The Group determines that exploration costs are capitalised from the point the Group has a valid exploration licence. The recovery of the cost of the Group's exploration projects is reviewed in the light of future production estimates based upon ongoing geological studies. Over the longer term the actual mineable resources achieved may vary significantly from the current estimates.

- Impairment of assets

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

- Share-based payments

In order to calculate the charge for share-based payments as required by IFRS 2, the Group makes estimates principally relating to assumptions used in its option-pricing model as set out in note 16.

2. Staff costs

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Wages and salaries	223	198	158	94
Social security costs	13	7	5	4
Share based payments	478	–	421	–
Pension costs	8	7	8	7
	732	212	592	105

Total staff costs, including those capitalised within intangible assets, amounts to £481,000 (2010: £354,000). The average monthly number of employees (including executive directors) during the year was as follows:

	Group		Company	
	2011 Number	2010 Number	2011 Number	2010 Number
Exploration activities	12	10	2	2
Administration	7	6	3	3
	19	16	5	5

3. Directors' emoluments

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Basic salary and fees	201	131	201	131
Pension contributions	8	7	8	7
Share based payments	421	–	421	–
	630	138	630	138

Key management personnel consist of only the directors. Details of share options and interests in the Company's shares of each director are shown in the Directors' Report on pages 24 to 28.

	Year	Salary and fees	Pension	Share based payments	Total
Michael Spriggs	2011	20	–	57	77
	2010	20	–	–	20
Kerim Sener	2011	87	8	191	286
	2010	75	7	–	82
Michael de Villiers	2011	58	–	116	174
	2010	36	–	–	36
William Payne	2011	36	–	57	93
	2010	18	–	–	18

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:

	2011 £'000	Restated 2010 £'000
Fee on conclusion of joint venture	–	271
Profit on sale of share of Zenit	46	68
Consultancy and other income	28	6
	74	345

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

In accordance with the Zenit Shareholders Agreement, Proccea is earning a 50% stake which increases as they contribute cash to fund Zenit's development of the Red Rabbit Gold Project up to US$8 million.

In the current year contributions of £164,000 have been received from Proccea (2010: £638,000) and accordingly the Group's interest in Zenit's net assets has reduced by £118,000 (2010: £570,000) resulting in a profit on the sale of £46,000 (2010: £68,000).

5. Operating loss

The operating loss is stated after charging:

	2011 £'000	2010 £'000
Depreciation – owned assets	1	1
Profit on sale of investments	(79)	(2)
Operating lease – office rental	2	5
Net foreign exchange (profits)/losses	61	(6)
Fees payable to the Company's auditors for the audit of the Company's annual accounts	25	19
Fees payable to the Company's auditors for other services:		
– The audit of the Company's subsidiaries	15	4
– Other services pursuant to legislation	–	2

Fees payable to auditors in 2011 represent fees charged by the Company's new auditors.

Notes to the consolidated financial statements

for the year ended 31 December 2011

continued

6. Segmental analysis

Management currently identifies one division as an operating segment – mineral exploration. This operating segment is monitored and strategic decisions are made based upon this and other non-financial data collated from exploration activities.

Principal activities for this operating segment are as follows:

- Mining – incorporates the acquisition, exploration and development of gold resources in Turkey.

	2011			Restated 2010		
	Mining	Other reconciling items	Group	Mining	Other reconciling items	Group
Administrative costs	–	(1,291)	(1,291)	–	(466)	(466)
General exploration expenditure	(181)	–	(181)	(326)	–	(326)
Other income	74	–	74	341	4	345
Investment income	–	51	51	–	9	9
Tax	–	–	–	(17)	–	(17)
Loss after tax	**(107)**	**(1,240)**	**(1,347)**	**(2)**	**(453)**	**(455)**
Assets						
Segment assets	5,291	1,076	6,367	5,116	526	5,642
Liabilities						
Segment liabilities	(217)	(200)	(417)	(92)	(183)	(275)
Additions to segment assets						
Intangible assets	960	–	960	467	–	467
Property plant & equipment	177	2	179	13	2	15
Depreciation	(36)	(1)	(37)	(32)	(1)	(33)

Other income includes consultancy and licence fees.

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

Geographical segments

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

	2011				Restated 2010			
	Turkey	United Kingdom	British Virgin Islands	Group	Turkey	United Kingdom	British Virgin Islands	Group
Carrying amount of segment non current assets	4,949	170	–	5,119	4,026	73	–	4,099

7. Taxation

	2011 £'000	Restated 2010 £'000
Current tax expense in respect of the current year	–	17

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

	2011 £'000	Restated 2010 £'000
Loss before tax	(1,347)	(438)
Loss multiplied by the standard rate of corporation tax in the UK of 26% (2010: 28%)	(350)	(123)
Disallowable expenses	172	6
Losses to carry forward	163	94
Effect of different tax rates and laws of subsidiaries operating in other jurisdictions	15	6
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 £3,010,000 (2010: £2,528,000). Turkish tax losses carried forward at the year end amounted to £237,000 (2010: £nil). These losses can be carried forward and used against future taxable income at rates of 26% and 20% respectively, although the Turkish losses expire after five years.

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 £991,000 (2010: £359,000).

9. Loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary shareholders of £1,347,000 (2010: £455,000 as restated) divided by the weighted average number of shares issued during the year being 249,719,107 shares (2010: 209,441,203). 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 2011
continued

10. Intangible exploration assets

	Restated deferred exploration expenditure £'000
At 31 December 2009	**3,910**
Additions and capitalised depreciation	500
Disposals	(570)
At 31 December 2010	**3,840**
Additions and capitalised depreciation	999
Disposals	(118)
Exchange movements	(94)
At 31 December 2011	**4,627**
Net book value	
At 31 December 2009	3,910
At 31 December 2010 (Restated)	3,840
At 31 December 2011	**4,627**

None of the Group's intangible assets are owned by the Company. The technical feasibility and commercial viability of extracting a mineral resource are not yet demonstrable in the above intangible exploration assets. These assets are not amortised, until technical feasibility and commercial viability is established.

11. 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 2009	**12**	**14**	**233**	**7**	**41**	**307**
Additions	–	14	–	1	–	15
At 31 December 2010	**12**	**28**	**233**	**8**	**41**	**322**
Additions	122	7	47	3	–	179
Exchange movements	(1)	–	(5)	–	–	(6)
At 31 December 2011	**133**	**35**	**275**	**11**	**41**	**495**
Depreciation						
At 31 December 2009	**–**	**11**	**54**	**6**	**39**	**110**
Charge	–	6	28	1	1	36
At 31 December 2010	**–**	**17**	**82**	**7**	**40**	**146**
Charge	–	7	29	1	–	37
Exchange movements	–	–	1	–	–	1
At 31 December 2011	**–**	**24**	**112**	**8**	**40**	**184**
Net book value						
At 31 December 2009	12	3	179	1	2	197
At 31 December 2010	12	11	151	1	1	176
At 31 December 2011	**133**	**11**	**163**	**3**	**1**	**311**

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

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

12a. Available for sale investments

Company	Non current £'000	Current £'000	Total £'000
At 1 January	71	56	127
Additions in the year	98	–	98
Disposals in the year	–	(56)	(56)
At 31 December 2011	169	–	169
Net book value			
At 31 December 2011	169	–	169
At 31 December 2010	71	56	127

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 and is held at cost. The current available for sale investments in the prior year represents the cost of shares in a Canadian listed mining exploration company.

12b. Investments in group undertakings

Company	Shares in Group undertakings £'000
Cost	
At 1 January 2011	217
Additions in year	57
At 31 December 2011	274
Net book value	
At 31 December 2011	274
At 31 December 2010	217

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

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

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

Interest in associates and joint ventures

	Shares in Associated undertakings 2011 £'000	2010 £'000
Cost		
At 1 January 2011 and 31 December 2011	–	–

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

Associates and joint ventures	Ownership	Country of incorporation	Nature of business
Greater Pontides Exploration B.V.	49%	Netherlands	Holding company
Pontid Madencilik San. ve Tic. Ltd.	49%	Turkey	Exploration
Pontid Altin Madencilik Ltd.	49%	Turkey	Exploration
Zenit Madencilik San. ve Tic. A.S.	86%	Turkey	Exploration

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for the year ended 31 December 2011
continued

12b. Investments in group undertakings continued
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 agreement on the Ardala Project, and which the Group accounts for as an associate. 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 agreement, holds the remaining 51% of the ordinary shares. The Greater Pontides Exploration B.V. Group is treated as an Associate investment for purposes of the Group consolidation as the Group has a significant influence over the financial and operating policy decisions but not control or joint control over these policies.

The reported loss of Greater Pontides Exploration B.V. in its unaudited Group financial statements for the year ended 31 December 2011, amounted to US$1,205,623 (2010: US$57,851). 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 (2010: £nil).

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

	Joint ventures				Associates	
Share of balance sheet	JV 100% 2011 £'000	Ariana Share 2011 £'000	JV 100% 2010 £'000	Ariana Share 2010 £'000	2011 US$'000	2010 US$'000
Non-current assets	647	556	47	41	3,592	3,210
Current assets	203	174	981	872	530	891
Total assets	850	730	1,028	913	4,122	4,101
Non-current liabilities	–	–	–	–	–	–
Current liabilities	(521)	(457)	(615)	(553)	(3,940)	(2,820)
Total liabilities	(521)	(457)	(615)	(553)	(3,940)	(2,820)
Net assets	329	273	413	360	182	1,281
Carrying amount of the investment					Nil	Nil

All Associates and joint ventures have a reporting date of 31 December 2011.

In July 2010 the Group entered into an agreement with Proccea Construction Co. ("Proccea") such that Galata Madencilik San. ve Tic. Ltd. ("Galata") would transfer its principal assets at Sındırgı and Tavşan, collectively known as the "Red Rabbit Gold Project" into a joint venture company, Zenit Madencilik San. ve Tic. A.S. ("Zenit"). Proccea earn their 50% share in Zenit by investing US$8m in the capital of Zenit, $1.4m of such funds to be spent on a Feasibility Study and an Environmental Impact Assessment ("EIA"), with the balance on initial mine construction, once the Feasibility Study and EIA are completed satisfactorily. By the year end Proccea had invested an additional £164,000, amounting in total to £802,000, to increase their stake in Zenit to 13.98% (2010: 11.11%).

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

13. Non-current trade and other receivables

	Group		Company	
	2011 £'000	Restated 2010 £'000	2011 £'000	Restated 2010 £'000
Other receivables	12	12	–	–

Other receivables falling due after more than one year represent amounts due from the government of Turkey in respect of VAT relating to the Group's mining projects. These amounts are due for repayment between 2012 and 2013 and the fair value is not materially different to the carrying value presented.

14. Trade and other receivables

	Group		Company	
	2011 £'000	Restated 2010 £'000	2011 £'000	2010 £'000
Amounts owed by Group undertakings	–	–	6,041	4,920
Amounts owed by Associated undertakings	–	1	–	–
Other receivables	314	728	–	–
Prepayments	26	28	–	–
	340	757	6,041	4,920

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	
	2011 £'000	Restated 2010 £'000	2011 £'000	2010 £'000
Trade and other payables	183	78	–	–
Social security and other taxes	27	30	–	–
Other creditors	83	99	–	–
Accruals and deferred income	124	68	45	15
	417	275	45	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. Share capital

Allotted, issued and fully paid

Number	Class	Nominal value	2011 £'000	2010 £'000
259,672,334	Ordinary	0.01	2,597	2,220

Nature of consideration	Price per share	Number	Share Capital £'000	Share Premium £'000
Fees for services	3.76p–6p	4,427,318	44	132
Share placement	4.75p	24,513,158	245	919
Acquisition of mineral licences	5.5p	910,747	9	41
Warrants exercised	4.75p	7,841,578	78	294
Total		**37,692,801**	**376**	**1,386**

On 9 February 2011 the Company issued 3,988,985 new ordinary shares for a total consideration of £150,000 based on the then current market share price for the fees relating to the establishment of the Standby Equity Distribution Agreement.

On 18 February 2011 the Company issued 24,513,158 new ordinary shares for a total consideration £1,164,375 for working capital and a further 49,026,316 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.

Notes to the consolidated financial statements

for the year ended 31 December 2011
continued

16. Share capital continued
On 21 April 2011 the Company issued 438,333 new ordinary shares for a total consideration £26,300 based on the then current market share price for the settlement of service costs.

On 3 July 2011 the Company issued 910,747 shares for a consideration of £50,000 in connection with the acquisition of Mineral exploration licences.

Between August and December 2011 the Company issued 7,841,578 shares in connection with the exercise of warrants at 4.75p for a consideration of £372,475.

Potential issue of ordinary shares

Share options and warrants
At the 31 December 2011 the Company had 15,941,000 options and 57,092,906 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 2011
Options					
19 July 2005	19 July 2005	19 July 2015	8.8p	2,105,869	2,105,869
19 July 2005	19 July 2005	19 July 2015	8.8p	65,131	65,131
22 August 2005	22 August 2005	22 August 2015	13p	870,000	870,000
22 August 2005	22 August 2005	22 August 2015	13p	100,000	100,000
1 September 2006	1 September 2006	1 September 2016	13p	300,000	300,000
22 March 2011	22 March 2011	21 March 2018	5p	12,500,000	12,500,000
Total					**15,941,000**

Date of grant	Exercisable from	Exercisable to	Exercise price	Number granted	Number at 31 December 2011
Warrants					
1 April 2008	1 April 2008	1 April 2013	13p	3,000,000	3,000,000
25 July 2008	25 July 2008	25 September 2012	8p	608,168	608,168
14 January 2010	14 January 2010	14 January 2013	1p	12,300,000	12,300,000
18 February 2011	28 February 2011	29 February 2012	4.75p	49,026,316	41,184,738
Total					**57,092,906**

No options were exercised in the year. 12,500,000 options were issued to directors and staff during the year, and 49,026,316 warrants were issued in connection with the share placement during the year.

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

	2011	2010
Share price when options issued	4.6p	–
Expected volatility (based on closing prices from date of listing to year end)	121.1	–
Expected life	5	–
Risk free rate	3.13%	–
Expected dividends	Zero	–

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

	2011	2010
Share based payments	478	–

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:

	2011 £'000	Restated 2010 £'000
Loss before tax	(1,347)	(438)
Investment income	(51)	(9)
Operating loss for the year	(1,398)	(447)
Adjusted for:		
Profit on sale of investments	(79)	(2)
Profit on sale of share of Zenit	(46)	(68)
Depreciation	1	1
Share base payments	478	–
Operating income before working capital changes		
Change in asset values due to exchange movements	99	–
Change in trade and other receivables	416	(450)
Change in trade and other payables	142	(191)
Foreign exchange differences	(239)	(1)
Cash used in Group operations	**(626)**	**(1,158)**

(b) Cash generated from Company operations

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

	2011 £'000	Restated 2010 £'000
Operating loss for the year	(991)	(359)
Adjusted for:		
Profit on sale of investments	(79)	(2)
Share based payments	421	–
Operating income before working capital changes		
Change in trade and other receivables	569	483
Change in trade and other payables	30	15
Cash used in Company operations	**(50)**	**137**

18. Contingent liabilities

The Group had no contingent liabilities at the year end (31 December 2010: £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:

	2011 £'000	2010 £'000
Within one year	18	16

20. Capital commitments

The Group had no authorised or unauthorised capital commitments at the year end (31 December 2010: £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.
Çamyol Gayrimenkul, Madencilik, Turizm, Tarim ve Hayvancilik Ltd.

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

Loans payable by Ariana Exploration & Development Limited and Galata Madencilik San. ve Tic. Ltd. to Ariana Resources PLC amounted to £5,605,223 (31 December 2010: £4,594,342) and £435,533 (31 December 2010: £325,302) respectively.

WJB Payne is a partner in Wilkins Kennedy, Chartered Accountants, the firm which provides his services. During the year end December 2011, Wilkins Kennedy were paid £36,000 in respect of his services as a director, and £47,250 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 £34,390.

As detailed in note 12a to the accounts, the Group has an investment in Tigris Resources Limited, a company involved in gold exploration in southern Turkey. Dr. AK Sener is a director of Tigris Resources Limited and his wife is a minority shareholder with a 5.56% shareholding in the company at year end.

Matrix Exploration Ltd, a company majority owned by Dr. AK Sener, charged the Company £2,690 (2010: £14,003) for office rent and other services. At the year end the Company owed Matrix Exploration Ltd £nil (2010: £239).

Associated and joint venture companies

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

Consultancy fees amounting to £3,837 (31 December 2010: £4,346) were receivable by Galata Madencilik San. ve Tic. Ltd. from Pontid Madencilik San. ve Tic. Ltd. The outstanding balance of £371 (31 December 2010: £855) due to Galata Madencilik San. ve Tic. Ltd. is included in trade and other receivables.

In 2010, the Group sold exploration licences to Zenit amounting to £3,082,000 in accordance with the Zenit Shareholders Agreement. There were no related party transactions with Zenit in 2011.

Notes to the consolidated financial statements

for the year ended 31 December 2011
continued

22. Post year end events

In January 2012 the Company completed a US$2m loan agreement to assist with the development of the Red Rabbit Gold Project, and US$750,000 was drawn down at that time.

In January and February 2012 the Company issued 9,657,175 shares in connection with the exercise of warrants at 4.75p per share for a consideration of £458,716.

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

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

The Group monitors capital on the basis of the carrying amount of equity, cash and cash equivalents as presented on the face of the consolidated statement of financial position. Movements in capital for the reporting period under review are summarised in note 16 and in the consolidated statement of changes in equity.

The Group manages its capital structure in response to changes in economic conditions and in accordance with the Group's objective to bring the Red Rabbit Gold Project into production.

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. The Group and Company's only financial liability is trade and other payables all of which will be settled within six months.

Credit risk and Treasury management

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

Foreign currency risk

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

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	2011 £'000	Restated 2010 £'000	2011 £'000	Restated 2010 £'000
Trade and other receivables	–	–	–	–
Cash and cash equivalents	–	–	–	–
Trade and other payables	–	–	–	–
	–	–	–	–

Rates of exchange	Lira
31 December 2011	- 2.95
31 December 2010	- 2.34

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	
	2011 £'000	Restated 2010 £'000	2011 £'000	Restated 2010 £'000
+ 20% increase in Sterling Profit/(loss) on translation	(32)	(163)	–	–
- 20% decrease in Sterling Profit/(loss) on translation	48	**245**	–	**–**

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	
	2011 £'000	Restated 2010 £'000	2011 £'000	Restated 2010 £'000
Floating interest rate (by reference to bank base rate)	891	704	–	–
Zero interest rate	17	26	–	12
	908	**730**	**–**	**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 2011	
	Change in rate	Effect on loss
Sterling	+3%	26
	+2%	17
	+1%	8
Sterling	-1%	(8)

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	
	2011 £'000	Restated 2010 £'000	2011 £'000	Restated 2010 £'000
Non current assets				
Trade and other receivables	12	12	12	12
Current assets				
Trade and other receivables	340	757	757	340
Cash and cash equivalents	908	730	908	730
Trade and other payables	417	275	417	275

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.

Notes to the consolidated financial statements

for the year ended 31 December 2011

continued

25. Prior year restatement

The Company has changed the method by which it consolidates the results of Zenit Madencilik San. ve Tic. A.S. ("Zenit") in so far as the Directors now consider that the joint control provisions of the agreement with Proccea Construction Co. covering the Red Rabbit Gold Project mean that Zenit is a jointly controlled entity rather than a subsidiary and that it is more appropriate to account for the results of Zenit by way of proportional consolidation rather than full consolidation. The effect on the Group statement of financial position for the prior year is summarised as follows:

	A + B Restated 2010 £'000	B Impact of restatement £'000	A Original 2010 £'000
Assets			
Non-current assets			
Trade and other receivables	12	–	12
Available for sale investments	71	–	71
Intangible exploration assets	3,840	(503)	4,343
Land, property, plant and equipment	176	–	176
Total non-current assets	**4,099**	**(503)**	**4,602**
Current assets			
Trade and other receivables	757	(78)	835
Available for sale investments	56	–	56
Cash and cash equivalents	730	(25)	755
Total current assets	1,543	(103)	1,646
Total assets	**5,642**	**(606)**	**6,248**
Equity			
Called up share capital	2,220	–	2,220
Share premium	5,167	–	5,167
Other reserves	720	–	720
Share based payments reserve	100	–	100
Translation reserve	63	–	63
Retained earnings	(2,903)	(155)	(2,748)
Total equity attributable to equity holders of the parent	**5,367**	**(155)**	**5,522**
Non-controlling interest	–	(415)	415
Total equity	**5,367**	**(570)**	**5,937**
Liabilities			
Current liabilities			
Trade and other payables	275	(36)	311
Total current liabilities	**275**	**(36)**	**311**
Total equity and liabilities	**5,642**	**(606)**	**6,248**

There is no change in the Company Statement of Financial Position as a result of this change in accounting treatment on consolidation of Zenit. The Consolidated Statement of Comprehensive Income now records a profit on the partial disposal of the Group's interest in Zenit under the terms of the agreement amounting to £68,000 in 2010, as Proccea increased their ownership of the Company. This corrects a £223,000 misallocation in retained earnings also relating to the Group's accounting for Zenit in 2010. Apart from this, there were no other adjustments to the 2010 Consolidated Statement of Comprehensive Income.

The restatement has decreased the basic and diluted loss per share by 0.03 pence per share from 0.25 to 0.22 pence per share.

The effect on the Group statement of cash flows is summarised as follows:

	A + B Restated 2010 £'000	B Impact of restatement £'000	A Original 2010 £'000
Cash flows from operating activities			
Cash generated from operations	(1,158)	42	(1,200)
Net cash outflow from operations	**(1,158)**	**42**	**(1,200)**
Cash flows from investing activities			
Purchase of investments	(137)	–	(137)
Proceeds from sale of share of Zenit	638	638	–
Proceeds from sale of investments	12	–	12
Purchase of property, plant and equipment	(15)	–	(15)
Payments for intangible assets (excluding capitalised depreciation)	(467)	(67)	(400)
Interest received	9	–	9
Net cash used in investing activities	**40**	**571**	**(531)**
Cash flows from financing activities			
Proceeds from issue of share capital	940	–	940
Proceeds from shares issued to non-controlling interest	–	(638)	638
Net cash proceeds from financing activities	**940**	**(638)**	**1,578**
Net (increase)/decrease in cash and cash equivalents	(178)	(25)	(153)
Cash and cash equivalents at beginning of year	908	–	908
Cash and cash equivalents at end of year	**730**	**(25)**	**755**

The restatement of the Group statement of cash flows reflects the receipt of contributions from Proccea to Zenit together with the removal of the non-controlling interest no longer required under proportional consolidation.

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 29 June 2012 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 29 June 2012 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 2011.

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

3. To re-appoint KPMG Audit Plc 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 £3,000,000 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 £3,000,000.

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 23 May 2012

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
continued

Notes:

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

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

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

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

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

6. To appoint a proxy you must
   - Ensure that the attached proxy form is completed, signed and sent to Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol UK BS99 7ZY by no later than 11.00 a.m. on 27 June 2012.

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

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

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

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

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

12. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the time by which a person must be entered on the register of members in order to have the right to attend and vote at the Annual General Meeting is 11:00 a.m. on 27 June 2012, (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.

Designed and produced by **SampsonMay**
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Cover image: Lydian gold coin.