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Equity Research

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Flash Note

ARIANA RESOURCES

MoU uprated to a formal commitment to acquire partial JV stake

In November, Ariana announced a non-binding MoU that provided a pathway for investors to partially monetise its stake in the low-cost Kiziltepe Mine and development properties whilst also laying the foundations for the development of the highly prospective Salinbas Project, with minimal cost to Ariana shareholders in the future. Today, Ariana has announced that the initial MoU has advanced into a firm commitment by Özaltin Holding, one of Turkey's largest conglomerates, which had previously remained anonymous.

- ▶ **Transaction monetises the portfolio and reduces the risk of future dilution** – Ariana has today announced that its initial non-binding Memorandum of Understanding, announced in November, has been advanced into a firm commitment by Özaltin Holding A.S. a major Turkish construction and engineering company. This follows the completion of extensive due diligence by SRK Consulting on the Salinbas project and the Zenit production and development assets. The transaction will enable Ariana to partially realise its holding in the successfully developed Kiziltepe Mine whilst ensuring minimal cost to Ariana shareholders for the development of the Salinbas project.
 - ▶ **Summary of Transaction** - The transaction proposes the disposal of 17% of the Salinbas Project for \$5million (100% owned by Ariana and held as Greater Pontides Exploration) and jointly with Proccea, 53% of Zenit Madencilik San. ve Tic. A.S. (the 50:50 JV which operates the Kiziltepe Mine and its associated exploration and development properties), for \$50million (split equally between Ariana and Proccea). It is proposed that Özaltin will then inject \$8million of equity into the Salinbas Project via an earn-in arrangement and provide the bank finance to take the Proposed Partner to a 53% stake, facilitating the completion of the Feasibility Study and Environmental Impact Assessment.
- In conclusion, Ariana's investment case matures from owning 50% of Zenit and 100% of Greater Pontides Exploration to:
- ▶ 23.5% of "New Zenit", which will hold the operational Kiziltepe Mine, associated exploration and development properties and incorporate the Salinbas Project.
 - ▶ Be free-carried on further costs associated with the development of Salinbas.
 - ▶ Board representation on the combined "New Zenit" board.
 - ▶ Responsible for all exploration across the new joint venture, with a reward mechanism of three times exploration cost for all new projects injected into the JV in the future.

Ariana will receive immediate payments totalling \$30million, equal to 60% of the company's market cap (c2.8p/share as at 30 June).

Continued

BUY

(Remains Unchanged)

Target Price: 4.67p (unchanged)

Share Price: 3.90p

(Price at close 30 June 2020)

Stock Codes ARNR.L / AAU LN

Market Cap £41m

Sector Mining

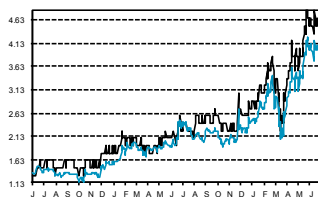
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Absolute & Relative Performance



— Absolute

— Relative to DS Mining

Source Datastream

Investment Research

Year End Dec	Sales (£m)	PBTA (£m)	EPS (p)	DPS ord (p)	P/E (x)	EV/EBITDA (x)	Yield (%)
2018A	3.8	2.3	0.2	0.0	17.7	18.9	0.0
2019E	4.4	2.9	0.3	0.0	14.4	12.9	0.0
2020E	5.0	3.4	0.3	0.0	13.0	9.8	0.0
2021E	5.4	3.7	0.3	0.0	12.6	7.8	0.0

Source Company Data, Panmure Gordon

- ▶ **We believe shareholders will receive a substantial dividend and gain access to new projects** – As has been communicated in recent investor updates, it is the intention of the Board to consider dividend payments and as such, the Board has confirmed that distributing part of this sum as a special dividend to shareholders is a priority, once the mechanics for doing so are established. Ariana will utilise its enhanced capital position to fund the acquisition of new exploration and development projects for development by Ariana or by “New Zenit” and its partners.

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Distribution of investment ratings for equity research (as of 19 May 20)			Rating: GUIDELINE (return targets may be modified by risk or liquidity issues)	
Overall Global Distribution (Banking Client*)			Buy	Total return of >10% in next 12 months
Buy	Hold	Sell	Hold	Total return >-10% and <+10% in next 12 months
65% (31%)	25% (4%)	10% (0%)	Sell	Total return <-10% in next 12 months
* Indicates the percentage of each category in the overall distribution that were banking and/or corporate broking clients				

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