

# Ariana Resources

## All go for mine construction, start-up 2016

Forestry permit approved

Metals & mining

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**After a 13-month delay, Ariana Resources has finally received approval for its forestry permit – the critical permit needed to go ahead with mine construction. This announcement triggers release of the c US\$24m principal loan amount secured with a Turkish bank and allows Proccea Construction (Ariana's JV partner) to begin building the Kiziltepe mine. Once completed, proceeds from the Red Rabbit JV will be shared 51:49 between Ariana and Proccea respectively.**

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/13	0.0	(1.5)	(0.3)	0.0	N/A	N/A
12/14	0.0	(0.9)	(0.1)	0.0	N/A	N/A
12/15e	0.0	(2.8)	(0.2)	0.0	N/A	N/A

Note: \*PBT and EPS are normalised, excluding amortisation of acquired intangibles, share-based payments and exceptional items.

The forestry permit approval was received by Ariana and Proccea's JV company Zenit Madencilik San ve Tic A.C. The approval was made initially by the Prime Ministry in Turkey, which formally approved the application to the Department of Forestry and Water Affairs (DFWA) for the Red Rabbit Gold Project. The DFWA has approved the permit subject to payment of statutory fees, which Ariana's management states will be paid from its project financing. We consider that a 2016 mine start-up is now feasible with a short eight-month construction period required to develop Kiziltepe, notwithstanding Proccea's ability to secure long-lead items – a risk which should be reduced considerably in the current subdued mining services environment.

We are reviewing our Kiziltepe valuation. Meanwhile, our existing base valuation of 1.71p uses gold prices and Kiziltepe cost inputs as per our update note [Salinbas, Ariana's other JV](#) published on 23 January 2015. This should be viewed in conjunction with this note. The base case uses a Q116 start-up, which could still be maintained considering the small modular plant design and Proccea's expertise in this field.

<b>Price</b>	<b>0.90p</b>
<b>Market cap</b>	<b>£6m</b>
	US\$/£1.52
Net cash (£m) at 31 Dec 2014	0.1
Shares in issue (m)	682.6
Free float	66%
Code	AAU
Primary exchange	AIM
Other exchanges	N/A

### Share price performance



### Business description

Ariana Resources is a gold exploration company focused on exploration and development projects in Turkey. Ariana currently owns 69.9% of the Red Rabbit JV with partner Proccea Construction, which reduces to 50% at the point of first mine production (anticipated at the end of H116).

### Analysts

Tom Hayes	+44 (0)20 3077 5725
Charles Gibson	+44 (0)20 3077 5724

[mining@edisongroup.com](mailto:mining@edisongroup.com)

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