

Ariana Resources

Speculative Buy

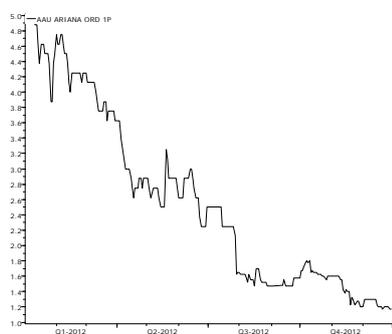
Price: 1.15 – 1.2p

Target: 6p

AIM: AAU.L (FTSE AIM All Share)

Sector: Mining

Share price performance



Source: Fidessa

Key Data

12m high-low 5p - 1.175p
 Mkt. cap: £3.74m
 No. of shares: 318.29m
 Website: arianaresources.com

Analyst

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Development of Gold Mine a step closer and Exploration Upside, Current JORC Resource of 450,000 oz

Ariana is still on target to produce its first gold in 2014.

This is an updated report and should be used in conjunction with our last note, dated 30th July 2012.

Announced today:

RED RABBIT JOINT VENTURE PARTNER AND DIRECTORS' PURCHASES UNDER SEDA SHARE ISSUE

Ariana Resources plc ("Ariana" or "the Company"), the gold exploration and development company focused on Turkey, is pleased to announce that further to the financing update announcement on 31 December 2012, a portion of the shares issued under the SEDA Advance have been purchased by Proccea Construction Co. ("Proccea"), Ariana's JV partner on its Red Rabbit Gold Project, and by Directors of the Company as follows:

Proccea purchased 9,090,910 shares at 1.1 pence per share, representing their total holding, and 2.45% of the issued share capital;

Michael Spriggs, Chairman, purchased 454,546 shares at 1.1 pence per share, and now holds a total of 1,237,618 shares or 0.33% of the issued share capital;

Dr Kerim Sener, Managing Director, purchased 909,091 shares at 1.1 pence per share, and now holds a total of 6,349,901 shares or 1.71% of the issued share capital;

Michael de Villiers, Director, purchased 909,091 shares at 1.1 pence per share, and now holds a total of 3,508,233 shares or 0.95% of the issued share capital; and

The wife of William Payne, Director, purchased 454,546 shares at 1.1 pence per share, and William Payne, together with his wife and three children under the age of eighteen, now holds a total of 1,157,178 shares or 0.31% of the issued share capital.

December 31st 2012

Ariana Resources announced the issue of 52,727,273 new ordinary shares of 1p each at 1.1p pence per share (the "Issue") to raise £580,000 before costs. The proceeds will be used for general working capital purposes. The Issue is made pursuant to and following a draw down under the Standby Equity Distribution Agreement ("SEDA") entered into by the Company with YA Global Master SPV Ltd (which is advised by Yorkville Advisors LLC) as announced on 20 January 2011.

December 2012

Significantly, the Turkish Prime Minister and the Department of Forestry have approved the Forestry Permits for the Kiziltepe section of the Red Rabbit gold project. This will allow Ariana to access the Tailings Storage Facility area and proceed to definitive feasibility study and environmental impact assessment. This is another step towards a start of the mine development stage with a 150,000ktpa capacity at Kiziltepe. The Company will now start geotechnical and hydrogeological drilling at the site for the tailings dam.

November 2012

Dr Kerim Sener, the Managing Director of Ariana purchased 640,000at 1.26p.

An exploration update from Kepez West and Karakavak prospects, located along the Sirdirgi Gold Corridor in the Kiziltepe Sector of the Red Rabbit Gold Project, indicated that shallow depth reconnaissance drilling at Kepez West provided the best intercept of 9.60 metres at 3.02 g/t gold plus 188.89g/t silver. There was also good news from Karakavak where a large vein system has been identified. Dr Kerim Sener notes: "These early-stage exploration results demonstrate the potential of the wider Kiziltepe Sector of the Red Rabbit Gold Project. While it is clear a lot more work needs to be completed, the results obtained to date are consistent with our view that the Sirdirgi Gold Corridor contains significant potential for the discovery of additional resources.

"The discovery of satellite resources to the planned Kiziltepe operation has been a long-term objective for the Company. Now that we are nearing the completion of our feasibility programme at Kiziltepe our attention can turn to new exploration focused on resource growth."

October 2012

1. Positive Interim Feasibility Study* completed on Kiziltepe section of the Red Rabbit Gold Project.

- Combined reserve in designed pits at the Kiziltepe Sector of the Red Rabbit Gold Project is approximately 1.1 million tonnes at an average grade of 3.1 grams per tonne ('g/t') gold ('Au') and 39.8 g/t silver ('Ag'), corresponding to 115,460 oz Au and 1,468,200 oz Ag.
- Output expected at a rate of 150,000 tonnes ore per annum, corresponding to an average production of approximately 21,000 oz/year of Au equivalent over the first five years of operation.
- Financial model at a 'current' gold price of US\$1,650/oz and a silver price of US\$25/oz provides a (gross with respect to the JV terms) Net Present Value ('NPV') (8% discount) of US\$49.8 million and Internal Rate of Return ('IRR') of 47.8%, with payback secured in 2.1 years.
- Capital cost estimated at US\$29.5 million, including US\$14.2 million for the processing plant and EPCM (Engineering, Procurement, Construction Management).
- Cash costs estimated at between US\$678 and US\$693 per ounce across the financial model range.
- Significant potential to identify additional resources at Kiziltepe and on four other prospects in the vicinity currently held under licence by the Company.
- The interim FS has been completed ahead of the Company's final Feasibility Study on the Project, which is currently delayed as a consequence of a new permitting regime in Turkey.

**The Company and its consultants, Tetra Tech WEI Inc. ('Tetra Tech'), formerly Wardrop Engineering, have completed additional work on its Feasibility Study for the Kiziltepe Sector of its Red Rabbit Gold Project.*

2. Ariana announced the commencement of a 4,000m drilling programme on its Salinbas Project within its Arvin Province Joint Venture (JV) in north eastern Turkey. Eldorado Gold Corporation is funding the JV to US\$1.77 million in the current operating year.

3. The licence containing its Kizilcukur Project has been granted 10 year operational status by the General Directorate of Mining Affairs in Turkey. The Company is planning for a 1,500m drilling programme on this property to commence in Q2 2013.

2km of mineralised quartz veins containing high-grade gold and silver have been delineated at Kizilcukur, with surface assay results of up to 152g/t gold and 1,320g/t silver.

not only itself contained by the Red Rabbit project area.

CONCLUSION

Since the fund raise in July, the company has progressed across its gold projects in Turkey and in particular the forestry permits can now allow Ariana to progress work on the tailings dam in Kiziltepe section of the Red Rabbit gold project. Following the positive announcements highlighted above, it is very encouraging to see, not only the MD, Kerim Sener buying more shares, but fellow directors buying and their JV partner in the Red Rabbit Project, Proccea, buying share. **SPECULATIVE BUY.**

Strengths and Weaknesses

Strengths

- Has a JORC resource of 450,000 oz Au;
- Respected JV partner in Proccea Construction in Ariana's flagship Red Rabbit Gold Project;
- Major gold producer – Eldorado Gold - funding north-east Turkey projects;
- European Goldfields major share-holder now Eldorado Gold.

Weaknesses

- Environmental Impact Assessment may be delayed;
- Development costs may exceed estimates and definitive feasibility study may flag some problems that require further funding;
- Exploration always carries risk of failure to find a resource and even if successful, any discovery not always economic to recover;
- Gold production maybe delayed beyond the planned time of first quarter 2014.

Source: HB Markets

Sources:

arianaresources.com; HB Markets note dated 30th July 2012; Fidessa, and Regulatory News Service

Recommendations

During the three months to end-December 2012, the number of stocks on which HB Markets has published recommendations was 156, and the recommendations were as follows: Buy - 54; Speculative Buy - 78; Hold - 20; Sell - 3.

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