

Ariana Resources

Update
5th November 2013

JORC Resource Increased To 475Koz

Ariana announced a JORC Resource Estimate of 27.6Koz Au eq. at two of its wholly-owned exploration sites close to Red Rabbit, Kizilcukur and Ivrindi, following the re-assessment of existing drill results and the incorporation of new data. When combined with Red Rabbit's existing 448Koz Au eq. the total resource base in western Turkey has increased to 475Koz Au eq. gross. These new resources could increase capacity at Kiziltepe materially and underpin our view that there is potential to delineate new resources around Red Rabbit. Buy with a 3p target price.

Kizilcukur Is The Priority

Kizilcukur is located 65km from Kiziltepe and is therefore feasibly within trucking distance from it along existing graded roads and forestry tracks. The Kizilcukur Mineral Resource was defined by 17 holes on 12 cross-sections with spacing of 10-80m between each section. A gold cut-off grade of 1g/t was applied to account for mining and trucking costs, with open-pittable resources being targeted. Total gold JORC Inferred Resources of 162Kt at 2.39g/t for 12.5Koz Au were delineated alongside silver JORC Inferred Resources of 250Koz for a total of 16.6Koz gold equivalent. Ariana's priority is to evaluate Kizilcukur further to potentially upgrade these resources to Indicated and Measured categories, before it evaluates the economics of trucking resources to Kiziltepe. Resource drilling will be conducted while the mine is being constructed at Kiziltepe.

Ivrindi Provides Additional 11,000oz Of Gold

The Ivrindi asset is located 105km from Kiziltepe by asphalt road and therefore any open-pittable resources should also be within trucking distance of it. This target has a 450m strike length that extends from surface to depths of 70m and was analysed by 19 drill holes on 9 cross-sections with a spacing of 35-90m between each section. A cut-off grade of 1g/t Au was again applied to cover likely mining and trucking costs, with total Inferred JORC Resources of 207Kt at 1.65g/t for 11Koz Au delineated. This brings the total new JORC Resources at Kizilcukur and Ivrindi to 27.6Koz gold equivalent. A 550t mining trial was also conducted at Ivrindi in September 2013 as required by Turkish mining regulations.

Conclusion

We see these resource upgrades as highly encouraging, especially as they could leverage scale from the Kiziltepe plant if mining commences (Ariana has ten year operational licences at both sites). This 27.6Koz Au eq. upgrade alone could enable two further years of operation at Kiziltepe beyond the DFS, as Ariana can potentially sell the Kizilcukur and Ivrindi into the Red Rabbit JV at 3x exploration cost. Ariana will continue to focus future drilling programmes on identifying open-pittable mining resources in close proximity to Kiziltepe, and these discoveries demonstrate the potential here in our view. Buy with a 3p target price.

Buy

Target price

3p

Key data

Share price	1.20p
52 week high/low	1.60p/0.70p
Primary exchange	AIM
EPIC	AAU
Shares in issue	555.0m
Market Cap	£6.7m
Sector	Mining

Valuation

Kiziltepe NPV*	£16.8m
NAV	£6.4m
TNAV	£1.1m

* This is the value of Ariana's 50% stake

Share price chart



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Table: Financial overview

Year to 31st December	2009A	2010A	2011A	2012A
Revenue (£000)	0	0	0	0
EBITDA* (£000)	(406)	(516)	(1,044)	(799)
PBT (£000)	(402)	(506)	(1,347)	(1,182)
EPS (p)	(0.27)	(0.25)	(0.54)	(0.40)

Source: GECR and company.

Notes: * Adjusted for non-cash movements

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