

Ariana Resources Plc
Unaudited Condensed Consolidated Interim Financial Statements
for the six months ended 30 June 2014

Condensed consolidated statement of comprehensive income

	Note	6 months to 30 June 2014 £'000	Restated* 6 months to 30 June 2013 £'000	Restated* 12 months to 31 December 2013 £'000
Continuing Operations				
Administrative costs		(411)	(419)	(942)
General exploration expenditure		(13)	(67)	(121)
Other income		34	76	68
Operating Loss		(390)	(410)	(995)
Finance costs	4	(25)	(38)	(124)
Investment income		2	1	2
Gain/(deficit) on dilution of interest in joint venture	5	214	(35)	(35)
Share of profit/(loss) of a joint venture	5	(26)	(10)	(256)
Loss on ordinary activities before tax	6	(225)	(492)	(1,408)
Taxation	7	-	-	-
Loss for the period		(225)	(492)	(1,408)
Other comprehensive income:				
Exchange differences on translating foreign operations		(15)	(4)	(125)
Fair value adjustment on other financial asset classified as held for sale	10	(286)	(265)	(69)
Other comprehensive income for the period net of tax		(301)	(269)	(194)
Total comprehensive income for the period		(526)	(761)	(1,602)
Loss for the period attributable to owners of the parent		(225)	(492)	(1,408)
Total comprehensive income attributable to owners of the parent		(526)	(761)	(1,602)
Loss per share (pence):				
Basic and diluted	8	(0.04)	(0.17)	(0.29)

Restated due to adoption of IFRS 11, see note 5.

Condensed consolidated interim statement of financial position

		30 June 2014 £'000	Restated* 30 June 2013 £'000	Restated* 31 December 2013 £'000
ASSETS				
Non-current assets				
Trade and other receivables		40	42	38
Other financial asset	10	135	368	301
Available for sale investments		109	226	109
Intangible exploration assets	9	1,978	1,908	1,866
Land, property, plant and equipment		382	428	370
Investment in Joint Venture	5	3,108	3,166	2,920
Total non-current assets		5,752	6,138	5,604
Current assets				
Trade and other receivables		864	812	774
Other financial asset	10	325	367	338
Cash and cash equivalents		271	626	212
Total current assets		1,460	1,805	1,324
Total Assets		7,212	7,943	6,928
EQUITY				
Called up share capital	11	5,640	5,550	5,550
Share premium	11	7,585	6,900	6,900
Other reserves		720	720	720
Share based payment reserve		578	578	578
Translation reserve		(157)	(20)	(142)
Retained earnings		(7,370)	(6,139)	(6,859)
Total equity attributable to equity holders of the parent		6,996	7,589	6,747
LIABILITIES				
Current liabilities				
Trade and other payables		216	222	181
Interest bearing borrowings		-	132	-
Total current liabilities		216	354	181
Total Equity and Liabilities		7,212	7,943	6,928

Restated due to adoption of IFRS 11, see note 5.

Condensed consolidated interim statement of changes in equity

	Share capital	Share premium	Other reserves	Share options	Trans-lation Reserve	Retained losses	Total attributable to equity holder of parent
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2013	3,710	7,004	720	578	(16)	(5,382)	6,614
<u>Changes in equity to 30 June 2013</u>							
Loss for the period	-	-	-	-	-	(757)	(757)
Other comprehensive income	-	-	-	-	(4)	-	(4)
Total comprehensive income	-	-	-	-	(4)	(757)	(761)
Issue of share capital	1,840	124	-	-	-	-	1,964
Share issue costs	-	(228)	-	-	-	-	(228)
Transactions with owners	1,840	(104)	-	-	-	-	1,736
Balance at 30 June 2013	5,550	6,900	720	578	(20)	(6,139)	7,589
<u>Changes in equity to 31 December 2013</u>							
Loss for the period	-	-	-	-	-	(720)	(720)
Other comprehensive income	-	-	-	-	(122)	-	(122)
Total comprehensive income	-	-	-	-	(122)	(720)	(842)
Issue of share capital	-	-	-	-	-	-	-
Share issue costs	-	-	-	-	-	-	-
Transactions with owners	-	-	-	-	-	-	-
Balance at 31 December 2013	5,550	6,900	720	578	(142)	(6,859)	6,747
<u>Changes in equity to 30 June 2014</u>							
Loss for the period	-	-	-	-	-	(511)	(511)
Other comprehensive income	-	-	-	-	(15)	-	(15)
Total comprehensive income	-	-	-	-	(15)	(511)	(526)
Issue of share capital	90	725	-	-	-	-	815
Share issue costs	-	(40)	-	-	-	-	(40)
Transactions with owners	90	685	-	-	-	-	775
Balance at 30 June 2014	5,640	7,585	720	578	(157)	(7,370)	6,996

Condensed consolidated interim statement of cash flows

	6 months to 30 June 2014 £'000	Restated* 6 months to 30 June 2013 £'000	Restated* 12 months to 31 December 2013 £'000
Cash flows from operating activities			
Cash generated from operations	(464)	(488)	(1,233)
Net cash outflow from operations	(464)	(488)	(1,233)
Cash flows from investing activities			
Proceeds from sale of investments	-	-	104
Purchase of land, property, plant and equipment	(12)	(14)	(37)
Payments for intangible assets	(119)	(157)	(166)
Investment income	2	1	2
Net cash used in investing activities	(129)	(170)	(97)
Cash flows from financing activities			
Proceeds from issue of share capital	677	1,175	1,580
Proceeds from borrowings	-	145	145
Repayment of borrowings	-	(281)	(384)
Interest and financing fees	(25)	(10)	(54)
Net cash proceeds from financing activities	652	1,029	1,287
Net increase/(decrease) in cash and cash equivalents	59	371	(43)
Cash and cash equivalents at the beginning of period	212	255	255
Cash and cash equivalents at end of period	271	626	212

Restated due to adoption of IFRS 11, see note 5.

Notes to the interim financial statements for the six months ended 30 June 2014

1. General information

Ariana Resources Plc (the "Company") is a public limited company incorporated and domiciled in Great Britain and whose registered office is Bridge House, London Bridge London SE1 9QR. 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 shares are listed on the Alternative Investment Market of the London Stock Exchange.

2. Basis of preparation

The condensed interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards and in accordance with International Accounting Standard 34 *Interim Financial Reporting*. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The condensed interim financial statements set out above do not constitute statutory accounts within the meaning of the Companies Act 2006. They have been prepared on a going concern basis in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) as adopted by the European Union. Statutory financial statements for the year ended 31 December 2013 were approved by the Board of Directors on 5th June 2014 and delivered to the Registrar of Companies. The financial information for the periods ended 30 June 2014 and 30 June 2013 are unaudited.

3. Significant accounting policies

The condensed interim financial statements have been prepared under the historical cost convention.

The same accounting policies have been followed in these condensed interim financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2013, apart from the change in policy for joint ventures as set out below.

Following IFRS 11 becoming effective and the subsequent adoption by the Group, the Group now accounts for its investment in its joint venture using the equity method of accounting. This replaced the proportional consolidation method of accounting applied previously and has also required the restatement of comparative numbers. See note 5 for further information on this.

The Group and Company financial statements have been prepared on a going concern basis. As an exploration and development company the Directors are mindful that there is an ongoing need to monitor overheads and cash associated with the exploration and development programme; and to raise additional working capital on an ad hoc basis to support the Group's activities.

The Group expects to incur further losses in the development of its business. The Group's ability to continue its operations and to realise its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. These financial statements do not give effect to any adjustments which would be necessary should the Group be unable to continue as a going concern and therefore be required to realise its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

The Company raised £0.8m, subject to collection of the related derivative financial asset, in the six month period under review and the Directors remain confident that if future funding is required they will be able to raise this finance to meet the Group exploration and development programme and associated overhead cost.

4. Finance cost

	6 months to 30 June 2014 £'000	6 months to 30 June 2013 £'000	12 months to 31 December 2013 £'000
Interest on loan facility	-	28	14
Loan facility fees	-	10	40
Swap charges on other financial assets	25	-	70
	<u>25</u>	<u>38</u>	<u>124</u>

5. Interest in joint venture

In previous periods the Group's joint venture with Proccea Construction Co in Zenit Madencilik San ve Tic AS ("Zenit") was accounted for using the proportional consolidation method of accounting. Following IFRS 11 Joint Arrangements becoming effective, the Group considered its categorisation and determined it a joint venture to be accounted for using the equity method in accordance with IAS 28 (revised). At 30 June 2014 the Group has a 73.47% (2013: 81.68%) interest in Zenit.

Prior to this change in accounting the Group's share of Zenit's income, expenditure, assets and liabilities were consolidated into the Group accounts on a line by line basis in proportion to its underlying ownership of the company. Zenit's results have now been removed from the comparative financial periods and the Group's interest in Zenit is now accounted for using the equity method in the consolidated financial statements.

Summarised financial information of the joint venture, based on its translated financial statements, and reconciliations with the carrying amount of the investment in the consolidated financial statements are set out below:-

Summarised statement of financial position	30 June 2014	30 June 2013	31 December 2013
	£'000	£'000	£'000
Non-current assets	5,096	4,878	4,902
Current assets	376	323	231
Current liabilities	(1,103)	(1,325)	(1,558)
Non-current liabilities	(138)	-	-
Equity	4,231	3,876	3,575
Proportion of the Group's ownership	73.47%	81.68%	81.68%
Carrying amount of Investment in Joint Venture	3,108	3,166	2,920
Summarised statement of Profit and Loss	30 June 2014	30 June 2013	31 December 2013
Other income	-	1	2
Administrative expenses – including exchange losses	(35)	(13)	(315)
Loss for the period	(35)	(12)	(313)
Proportion of the Groups ownership	73.47%	81.68%	81.68%
Group's share of loss for the period	(26)	(10)	(256)
Increase/(decrease) in share of net assets following issue of shares in Zenit	214	(35)	(35)
Movement in interest in Joint Venture for the period	188	(45)	(291)

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.

	30 June 2014			30 June 2013 restated			31 December 2013 restated		
	Mining	Other reconciling items	Group	Mining	Other reconciling items	Group	Mining	Other reconciling items	Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Administrative costs	-	(411)	(411)	-	(414)	(414)	-	(942)	(942)
General exploration Expenditure	(13)	-	(13)	(67)	-	(67)	(121)	-	(121)
Other income	34	-	34	76	-	76	68	-	68
Finance costs	-	(25)	(25)	-	(43)	(43)	-	(124)	(124)
Fair value loss on derivative financial assets	-	(286)	(286)	-	(265)	(265)	(69)	-	(69)
Share of profit/(loss) of its interest in a joint venture	188	-	188	(45)	-	(45)	(291)	-	(291)
Investment income	-	2	2	-	1	1	-	2	2
Tax	-	-	-	-	-	-	-	-	-
Loss after tax	209	(720)	(511)	(36)	(721)	(757)	(413)	(1,064)	(1,477)
Assets									
Segment assets	6,157	1,055	7,212	6,297	1,646	7,943	5,947	981	6,928
Liabilities									
Segment liabilities	(28)	(188)	(216)	(28)	(326)	(354)	(25)	(156)	(181)

Other income includes consultancy, loan interest and license 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.

	30 June 2014			30 June 2013 restated			31 December 2013 restated		
	United Turkey	United Kingdom	Group	United Turkey	United Kingdom	Group	United Turkey	United Kingdom	Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carrying amount of segment non-current assets	5,339	413	5,752	5,544	594	6,138	5,194	410	5,604

7. Taxation

The Group has incurred tax losses for the period and a corporation tax charge is not anticipated.

8. Loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary shareholders of £225,000 divided by the weighted average number of shares in issue during the period, being 630,104,546.

9. Intangible exploration assets

	Restated £'000
Six months ended 30 June 2013	
Opening net book value 1 January 2013	1,752
Additions and capitalised depreciation	157
Exchange movements	(1)
Closing net book value 30 June 2013	1,908
Six months ended 31 December 2013	
Opening net book value 1 July 2013	1,908
Additions and capitalised depreciation	9
Exchange movements	(51)
Closing net book value 31 December 2013	1,866
Six months ended 30 June 2014	
Opening net book value 1 January 2014	1,866
Additions and capitalised depreciation	119
Exchange movements	(7)
Closing net book value 30 June 2014	1,978

10. Derivative financial asset

In June 2013 the Company raised £1.25 million following the issue of 125 million new shares at 1p per share to Lanstead Capital L.P. (Lanstead). The Company received £250,000 in cash and entered into an equity swap price mechanism with Lanstead for the balance of these shares with consideration payable on a monthly basis over a period of 24 months. The Company also issued 12.5 million shares to Lanstead in consideration for the equity swap agreement. A second equity swap arrangement was entered into on similar terms with Lanstead for £152,000 during the January 2014 share placement, where the Company raised £770,000 following the issue of 85 million new shares at 0.9p per share.

The consideration from Lanstead has been treated as a derivative financial asset and its fair value has been determined by reference to the Company's share price at the balance sheet date and has been calculated as follows:

	Total £'000	Non-current assets £'000	Current assets £,000
Value recognised on inception	1,000	334	666
Capital repayments	(222)	-	(222)
Swap charges	(70)	-	(70)
Loss on revaluation	(69)	(33)	(36)
Fair value recognised at 31 December 2013	639	301	338
Swap charges	(25)	-	(25)
Capital repayments	(20)	-	(20)
Swap settlement for shares	152	-	152
Loss on revaluation	(286)	(166)	(120)
Fair value recognised at 30 June 2014	460	135	325

11. Called up share capital and share premium

Details of issued capital are as follows:

	Number of shares	Share Capital £'000	Deferred shares £'000	Share Premium £'000
At 1 January 2013	371,019,494	3,710	-	7,004
Shares issued in period (net of expenses)	183,929,980	1,840	-	(104)
At 30 June 2013	554,949,474	5,550	-	6,900
Conversion of ordinary shares into new ordinary and deferred	-	(4,995)	4,995	-
At 31 December 2013	554,949,474	555	4,995	6,900
Shares issued in period (net of expenses)	90,866,667	90	-	685
At 30 June 2014	645,816,141	645	4,995	7,585

During 2013 the existing ordinary shares were sub-divided into one new ordinary share of 0.1pence ("The New Ordinary Share") and one deferred share of 0.9pence ("Deferred Shares"). The New Ordinary Shares have a nominal value of 0.1 pence. The percentage of New Ordinary Shares held by each shareholder following the sub division is the same as the percentage of existing ordinary shares held by them before the change.

12. Approval of interim financial statements

The interim financial statements were approved by the Board of Directors on 29 September 2014.