

**INTERIM REPORT OF THE DIRECTORS AND
UNAUDITED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY 2006 TO 30 JUNE 2006
FOR
ARIANA RESOURCES PLC**

ARIANA RESOURCES PLC

**CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY 2006 TO 30 JUNE 2006**

	Page
Company Information	1
Chairman's statement	2
Consolidated Profit and Loss Account	4
Consolidated Balance Sheet	5
Consolidated Cash Flow Statement	6
Notes to the financial statements	7

ARIANA RESOURCES PLC
COMPANY INFORMATION
FOR THE PERIOD 1 JANUARY 2006 TO 30 JUNE 2006

DIRECTORS: M Spriggs
S J Poulton
M R Grainger
A K Sener
M A Etheridge
M J De Villiers

SECRETARY: M J De Villiers

REGISTERED OFFICE: Ridgeway House
1 Hagbourne Road
Didcot
Oxfordshire
OX11 8ER

REGISTERED NUMBER: 05403426

BANKERS: HSBC
186 Broadway
Didcot
Oxfordshire
OX11 8RP

ARIANA RESOURCES PLC

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE PERIOD 1 JANUARY 2006 TO 30 JUNE 2006**

	Notes	Unaudited 1.1.06 to 30.6.06 £'000	Audited Year Ended 31.12.05 £'000
Administrative expenses		<u>213</u>	<u>397</u>
OPERATING LOSS		(213)	(397)
Interest receivable and similar income		<u>15</u>	<u>16</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(198)	(381)
Tax on loss on ordinary activities		<u>-</u>	<u>-</u>
LOSS FOR THE FINANCIAL PERIOD AFTER TAXATION		<u>(198)</u>	<u>(381)</u>
DEFICIT FOR THE PERIOD FOR THE GROUP		<u>(198)</u>	<u>(381)</u>
LOSS PER SHARE (pence)	5	0.55	1.35

CONTINUING OPERATIONS

None of the group's activities were acquired or discontinued during the current period or previous year.

TOTAL RECOGNISED GAINS AND LOSSES

The group has no recognised gains or losses other than the losses for the current period

ARIANA RESOURCES PLC
CONSOLIDATED BALANCE SHEET
30 JUNE 2006

	Notes	2006-Unaudited		2005- Audited	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible assets	6		689		498
Tangible assets			<u>41</u>		<u>33</u>
			730		531
CURRENT ASSETS					
Debtors		113		131	
Cash at bank		<u>2,313</u>		<u>771</u>	
		2,426		902	
CREDITORS					
Amounts falling due within one year		<u>54</u>		<u>68</u>	
NET CURRENT ASSETS			<u>2,372</u>		<u>834</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>3,102</u>		<u>1,365</u>
CAPITAL AND RESERVES					
Called up share capital			469		315
Share premium			2,747		966
Merger reserve			720		720
Profit and loss account			<u>(834)</u>		<u>(636)</u>
SHAREHOLDERS' FUNDS	7		<u>3,102</u>		<u>1,365</u>

ARIANA RESOURCES PLC
CASH FLOW STATEMENT
FOR THE PERIOD 1 JANUARY 2006 TO 30 JUNE 2006

	Notes	Unaudited Period 1.1.06 to 30.6.06 £'000	Audited Year Ended 31.12.05 £'000
Net cash outflow from operating activities	1	(204)	(528)
Returns on investments and servicing of finance	2	15	16
Capital expenditure and financial investment	2	<u>(204)</u>	<u>(463)</u>
		(393)	(975)
Financing	2	<u>1,935</u>	<u>1,064</u>
Increase in cash in the period		<u><u>1,542</u></u>	<u><u>89</u></u>
<hr/>			
Reconciliation of net cash flow to movement in net funds	3		
Increase in cash in the period		<u>1,542</u>	<u>89</u>
Change in net funds resulting from cash flows		<u>1,542</u>	<u>89</u>
Movement in net funds in the period		1,542	89
Net funds at 1 January 2006		<u>771</u>	<u>682</u>
Net funds at 30 June 2006		<u><u>2,313</u></u>	<u><u>771</u></u>

ARIANA RESOURCES PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY 2006 TO 30 JUNE 2006**

1. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Period 1.1.06 to 30.6.06 £'000	Year Ended 31.12.05 £'000
Operating loss	(213)	(397)
Depreciation charges	4	3
Foreign Exchange differences	25	(6)
Increase in debtors	(3)	(124)
Decrease in creditors	<u>(17)</u>	<u>(4)</u>
Net cash outflow from operating activities	<u>(204)</u>	<u>(528)</u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	Period 1.1.06 to 30.6.06 £'000	Year Ended 31.12.05 £'000
Returns on investments and servicing of finance		
Interest received	<u>15</u>	<u>16</u>
Net cash inflow for returns on investments and servicing of finance	<u>15</u>	<u>16</u>
 Capital expenditure and financial investment		
Purchase of intangible fixed assets	(186)	(424)
Purchase of tangible fixed assets	<u>(18)</u>	<u>(39)</u>
Net cash outflow for capital expenditure and financial investment	<u>(204)</u>	<u>(463)</u>

ARIANA RESOURCES PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY 2006 TO 30 JUNE 2006**

2. **ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT - continued**

	Period 1.1.06 to 30.6.06 £'000	Year Ended 31.12.05 £'000
Financing		
Share issue	2,000	1,165
Expenses offset against share premium	<u>(65)</u>	<u>(101)</u>
Net cash inflow from financing	<u>1,935</u>	<u>1,064</u>

3. **ANALYSIS OF CHANGES IN NET FUNDS**

	At 1.1.06 £'000	Cash flow £'000	At 30.6.06 £'000
Net cash:			
Cash at bank	<u>771</u>	<u>1,542</u>	<u>2,313</u>
	<u>771</u>	<u>1,542</u>	<u>2,313</u>
 Total	 <u>771</u>	 <u>1,542</u>	 <u>2,313</u>

ARIANA RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2006 TO 30 JUNE 2006

4. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and the Statement of Recommended Practice Accounting for Oil and Gas Exploration, Development and Production and Decommissioning Activities revised in June 2001 (the SORP).

Basis of consolidation

On 25th July 2005 Ariana Resources Plc acquired the entire issued share capital of Ariana Exploration and Development Limited by way of a share for share exchange. The transaction qualifies as a group reconstruction within the meaning of FRS 6, and has been accounted for using the merger accounting method. Accordingly the financial information for the current period and comparatives have been presented as if Ariana Exploration and Development Limited had been owned by Ariana Resources Plc throughout the current and prior periods.

Going concern

The group is at an early stage of development. In common with many exploration companies the group raises funds in discrete tranches and the proceeds of the company's listing on AIM in 2005 raised £1.16m. A further placement was undertaken in May 2006 and raised £2.0m. The directors and management are using these funds for exploration and evaluation activities on several projects.

The funds are forecast to provide sufficient working capital through 2006 and 2007 and to raise additional funds when required. Accordingly, the directors consider that it is appropriate to prepare the financial information on a going concern basis.

Exploration and development costs

In accordance with the full cost method as set out in the SORP, expenditure including directly attributable overheads on the acquisition, exploration and evaluation of interests in licences not yet transferred to a cost pool is capitalised under intangible assets. Cost pools are established on the basis of geographic area. When it is determined that such costs will be recouped through successful development and exploitation or alternatively by sale of the interest, expenditure will be transferred to tangible assets and depreciated over the expected productive life of the asset. Whenever a project is considered no longer viable the associated exploration expenditure is written off to the profit and loss account.

ARIANA RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY 2006 TO 30 JUNE 2006

5. **LOSS PER SHARE**

The calculation of basic loss per share is based on the loss attributable to ordinary shareholders £195,639 divided by the weighted average number of shares in issue during the period 35,313,020. There is no dilutive effect of share options on the basic loss per share.

6. **INTANGIBLE FIXED ASSETS**

Group

	Exploration costs £'000
COST	
At 1 January 2006	498
Additions	<u>191</u>
At 30 June 2006	<u>689</u>
NET BOOK VALUE	
At 30 June 2006	<u><u>689</u></u>
At 31 December 2005	<u><u>498</u></u>

ARIANA RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

7. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

Group

	2006	2005
	£'000	£'000
Loss for the financial year	(198)	(381)
Shares issued less expenses offset	1,935	1,064
Long term exchange differences	<u>-</u>	<u>(6)</u>
Net reduction of shareholders' funds	1,737	677
Opening shareholders' funds	<u>1,365</u>	<u>688</u>
Closing shareholders' funds	<u>3,102</u>	<u>1,365</u>
Equity interests	<u>3,102</u>	<u>1,365</u>

8. PUBLICATION OF NON-STATUTORY ACCOUNTS

The financial information set out in this interim report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985.

The profit and loss account, balance sheet and cash flow statement for the year ended 31st December 2005, have been audited.

Copies of this report are available from the Companies registered office at Ridgeway House, 1 Hagbourne Road, Didcot, Oxfordshire, OX11 8ER or the company's website www.arianaresources.com.

