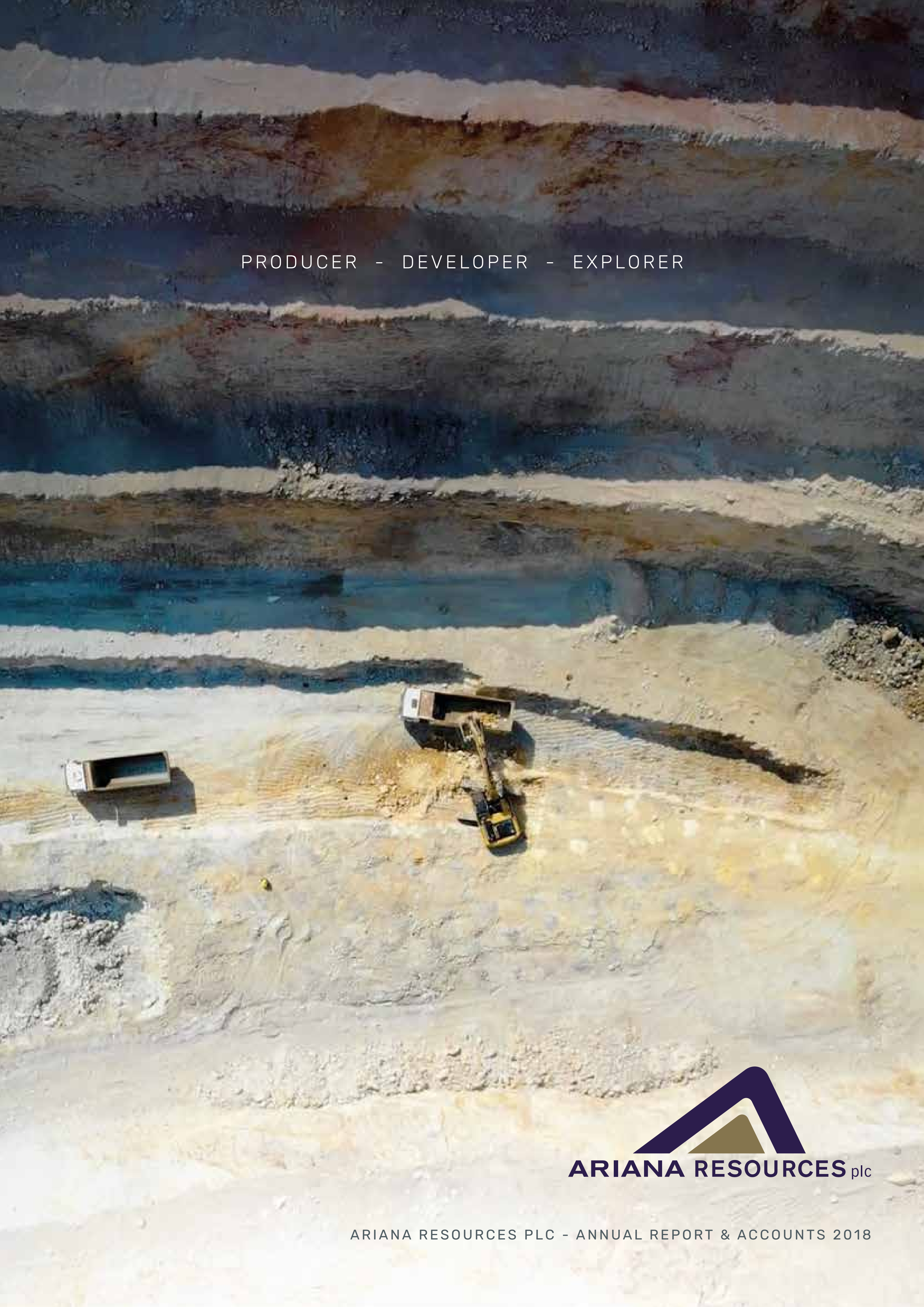


PRODUCER - DEVELOPER - EXPLORER

ARIANA RESOURCES plc

ARIANA RESOURCES PLC - ANNUAL REPORT & ACCOUNTS 2018

Contents

Principal Activities

The principal activities of the Company and its subsidiaries are the exploration and development of gold and technology-metals. The main area of activity is Turkey, which lies within the globally significant Tethyan Metallogenic Belt. This region hosts some of the world's largest gold, copper and silver deposits.

The Company aims to advance other mineral project opportunities in country and elsewhere with a particular mineral or geographic focus.

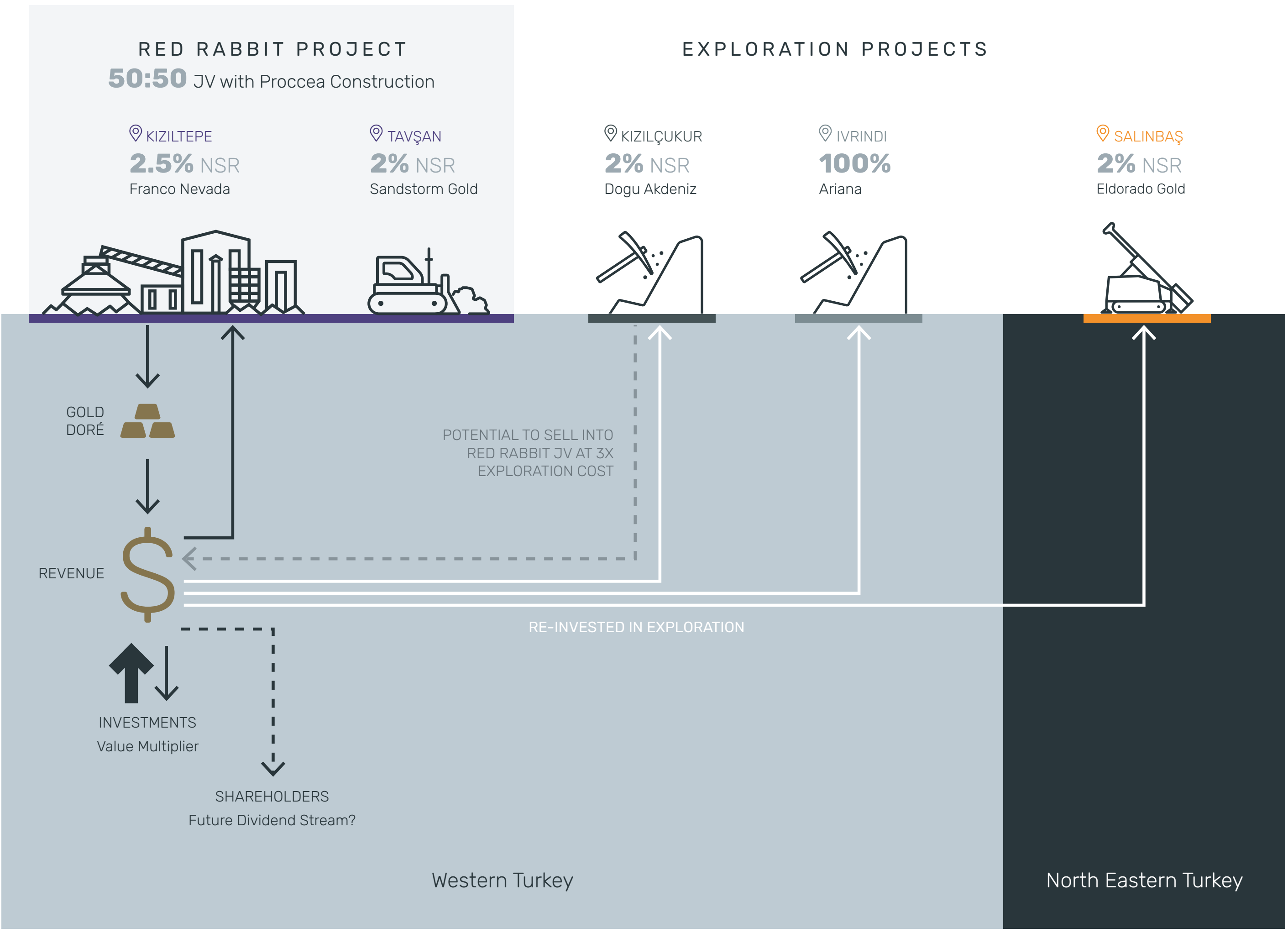
Strategy & Business Model

Our strategy is to achieve sustainable long-term growth of the Company via robust and cost-efficient gold exploration and development.

This has allowed us to identify, advance and develop projects rapidly at a discovery cost per ounce of gold less than half that of our peers.

We hope to achieve our strategy by:

- Focusing on the discovery of sizeable mineral systems;
- Building positive long-term relationships with local government, communities and key stakeholders;
- Developing a strong team with excellent commercial, technical and financial skills;
- Forming robust business partnerships for the development of gold projects;
- Executing selective, high-impact exploration programmes and joint venture ("JV") opportunities; and
- Ensuring safe operating procedures and minimising environmental impact.



2018 Production Highlights

Gold	*Silver*	*Average Cash Costs*
27,110 oz	**241,616 oz**	per oz FY2018:
US$34.4m	**US$3.4m**	**US$415/oz**
JV Revenue*	JV Revenue*	

Production of gold 36% above guidance for 2018.

Total JV Revenue:* **$37.8m**

Average Gold Recovery: **93.7%**

Average Mined Grade: **4.6 g/t Au, 62.8 g/t Ag**

Total Ore Mined: **280,070 tonnes**

** JV Revenue is based on total gold and silver sales as recorded by the 50:50 JV with Proccea Construction Co. Please refer to Note 5, Share of Profit of Interest in JV for further detail.*

Chairman's Statement

Ariana continues to deliver outstanding results from year to year and 2018 has been no exception. Gold production from our joint venture Kiziltepe Mine, in excess of 27,100 ounces was 36% above guidance for the year. The mine has achieved an average cash-cost of US$415 per ounce which is half of the current international average, placing the mine within the lowest cash-cost quartile. Meanwhile exploration is continuing apace across all project areas and the coming year is on target to be our busiest year of exploration activity to date. Exploration has delivered excellent results with a Company average discovery cost of US$15 per ounce, placing Ariana within the lowest international cost quartile.

Both the production and exploration teams must be commended for maintaining their focus on both the job at hand as well as looking ahead to take advantage of new opportunities. To this end, our strategy of having a pipeline of projects at the production, development and exploration phases is being rewarded. The Kiziltepe Mine has been paying cash dividends to both joint venture partners while maintaining debt repayments to the project finance bank, Turkiye Finans Katilim Bankasi A.S. This financial strength has allowed progress of the Tavşan Project to the next stage of development. We remain on schedule at the Tavşan Project to complete the formal Environmental Impact Assessment ("EIA") submission to the authorities during late 2019, following which the feasibility study will be concluded in line with the requirements of project finance and final permitting. This will potentially lead towards the commencement of mine development during 2020. This will enable the Red Rabbit Joint Venture to increase its current annual production rate of 25,000 ounces to an expected 50,000 ounces of gold per annum, which in turn will influence a positive re-rating of the Company's market valuation.

Ariana continues to receive encouraging support from both the local community and government authorities in our various operating areas, as well as at the national government level. This support is essential for Ariana to continue to build upon current exploration opportunities in addition to making the necessary investments to grow our portfolio and increase the life of mine of the producing operation and in the development of new mines. We are encouraged to see fellow gold producers operating in Turkey announcing new mine development plans and major investments. We look forward to continuing working closely with both the local and national government offices to ensure we can contribute to this growth potential for the Turkish gold mining industry.

"The Company has selected what can only be described as an excellent portfolio of pipeline projects. It is through this creative use of technology, brains and tenacity that Ariana will make its greatest discoveries in the future."

Chairman's Statement *continued*

Part of Ariana's success must also be attributed to the positive precious metal price environment; both gold and silver have performed well over the last year. Production from Kiziltepe was sold at an average gold price of US$1,269 per ounce and silver price of US$15 per ounce. While the majority of the mine revenue comes from its gold sales, it is encouraging to see that both gold and silver continue to be buoyed by positive market sentiment. Demand in the major gold consuming markets of India and China has not abated, along with an increasing trend for central banks to add to their gold holdings, boding well for both Turkey and Ariana.

Hardly a day goes by when we do not see several news items relating to the discussion of energy storage and the electrification of the transport sector; replacing the internal combustion engine with electric motors. It is encouraging to see such a seismic shift away from carbon-based polluting fuels to renewable-energy based electrification of vehicles. I personally have been a long-time adopter and advocate of this technology. This trend has opened new opportunities for exploration companies as demand increases for all the minerals required to sustain the growth expected in this new sector. Industry demand for copper in this sector is obvious, but so too is the requirement for more esoteric metals including those across the full spectrum of rare earth elements and others too numerous to mention. Ariana has an extensive exploration database covering the whole of Turkey and extending into various surrounding countries within the Tethyan Metallogenic Belt. Ariana has had prior success in this sector through the discovery of various lithium prospects in Western Australia and the Northern Territory, which were successfully vended in to two separate ASX-listed companies for significant profit. The Ariana team continues to monitor this sector with an eye on new opportunities and with a view to repeating these previous successes in this exciting sector of mineral exploration.

As with all development industries you are only as good as the people and the tools you deploy across your operations. Ariana has excelled at attracting and developing an excellent geological team and this is further reinforced by the long-term relationship with several universities which are associated with our team in Australia, Turkey and the UK. In the UK, Dr. Kerim Sener helped to establish the highly prestigious Richard Osman Memorial Fund at the Camborne School of Mines, along with other industry partners to encourage and support the young talent our industry must nurture over the next generation. We are an active supporter in mentoring and cultivating young geologists and we have been well rewarded with several outstanding students who have joined us for work experience with our field teams every summer.

Ariana has also been a pathfinder in adopting and enhancing new technology, data analysis and equipment in the mineral exploration field. We were an early adopter of field portable X-ray Fluorescence ("pXRF") technology for soil geochemistry and in the enhancement of geological mapping. This has been successfully used for quickly delineating altered and mineralised trends in addition to reducing the time and cost of sample analysis. The use of pXRF technology is currently being trialled at our Kiziltepe Mine to assist the production team to analyse quickly and cheaply a variety of production and processing samples. Our geological team have also taken to the air, making extensive use of Unmanned Aerial Vehicle ("UAV") technology to conduct rapid surveys of prospective exploration ground.

At the heart of the Company is a rigorous approach to the compilation and interrogation of data. It is for this reason that much praise must be delivered; Ariana was founded on disciplined distillation and analysis of geoscientific information, resulting in the selection of the Kiziltepe Project as the Company's first focus, later becoming its first producing mine. The Company has since selected what can only be described as an excellent portfolio of pipeline projects. It is through this creative use of technology, brains and tenacity that Ariana will make its greatest discoveries in the future.

Like all other companies, Ariana exists for the ultimate benefit of all its stakeholders and in particular its shareholders. This is ultimately rewarding the shareholders through an increase in market capitalisation and, in future, the potential for the payment of dividends. Your board of directors are focused on balancing the requirement of new exploration and development expenditure versus the return of profits to shareholders via dividends. This cost-benefit analysis is being reviewed constantly and your board is looking at mechanisms by which distributions to shareholders can occur, as and when practicable.

Last but not least I would like to thank our shareholders, employees and our joint venture partners for their dedication and support in helping Ariana achieving its ongoing success.

Michael de Villiers
Chairman

Operations Review

2018 was a year of significant operational success across all of Ariana's project areas. This is a testament to our team and that of Zenit for their focus and drive towards maximising operational efficiencies.

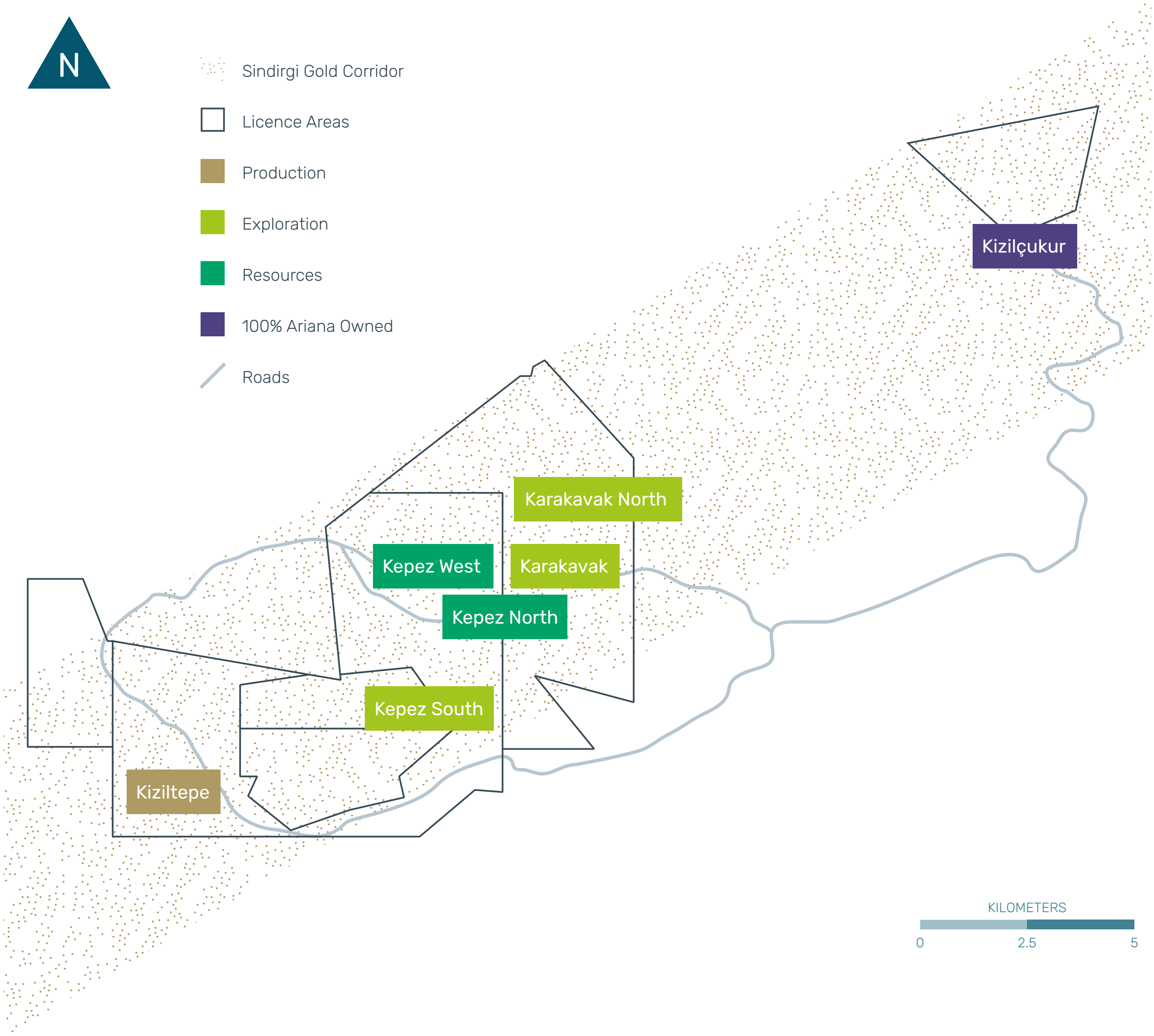
The year ended positively, with forecast production figures reporting 36% over guidance for the period. As at year end, the Joint Venture ("JV") has also repaid about half of the construction capital loan of US$33m to Turkiye Finans Katilim Bankasi A.S. The Company expects that the balance of this loan will be repaid on schedule during 2019 and in to early 2020. The JV reported Total Revenue of about US$38m for 2018 from the Kiziltepe Mine against the annual feasibility target of US$26m.

For our shareholders this production success meant that for the first time in the Company's history it had sufficient funds to support exploration, development and operational needs, in line with our long-term strategy. This is a paradigm shift and one that very few junior miners have been able to achieve. We have achieved this success through a combination of low-cost and effective exploration, prudent financial management, strong partnerships and in the fostering of positive relationships with key stakeholders at all levels in Turkey.

"For our shareholders this production success meant that for the first time in the Company's history it had sufficient funds to support exploration, development and operational needs, in line with our long-term strategy.

This is a paradigm shift and one that very few junior miners have been able to achieve"

SINDIRGI GOLD CORRIDOR



Operations Review *continued*

Red Rabbit Gold Project Area

The Red Rabbit Gold Project ("RRGP") comprises the Kiziltepe and Tavşan sectors located within the Tethyan Metallogenic Belt of western Turkey. The project is being advanced in partnership with Proccea Construction Co. via a 50:50 JV. The Kiziltepe Mine had produced in excess of 37,000 ounces of gold since production commenced up to the end of Q4 2018, with guidance of 25,000 ounces of gold for 2019. The Company remains focused on increasing its production profile through targeted exploration and development work across both the Kiziltepe and Tavşan sectors. The JV is focused on achieving production from both sectors simultaneously in the coming years, with the aim of increasing output to approximately 50,000 ounces per annum.

KEY FIGURES

Life of Mine to Date (up to Q4 2018)

Gold produced (troy oz)	**37,264**
Silver produced (troy oz)	**307,248**
Gross Revenue (US$'000)	**51,837**
Average realised gold price (US$/oz)	**1,261**
Average revenue per gold ounce (US$/oz)	**1,389***

** Average revenue per gold ounce is a measure of the Total Revenue divided by the number of Troy ounces of gold produced within a given period. It accounts for the contribution of by-product silver.*

Resource Estimate table for Kiziltepe/Tavşan (RRGP JV):

Kiziltepe	Tonnes (t)	Grade Au (g/t)	Grade Ag (g/t)	Gold (oz)	Silver (oz)
Main Vein Zones					
Measured	922,192	3.3	53.1	99,028	1,575,259
Indicated	1,342,055	1.9	38.8	81,550	1,673,281
Measured & Indicated	2,264,247	2.5	44.6	180,537	3,248,211
Inferred	1,292,054	1.5	32.4	63,557	1,346,7426
Subsidiary Veins					
Inferred	257,039	1.5	32.8	12,561	271,058
Global Total	**3,813,340**	**2.1**	**39.7**	**257,463**	**4,886,059**

Tavşan	Tonnes (t)	Grade Au (g/t)	Grade Ag (g/t)	Gold (oz)	Silver (oz)
Main					
Measured	537,000	1.8	4.0	30,090	68,600
Main & Satellites					
Indicated	2,300,000	1.2	4.7	89,100	348,300
Inferred	1,142,000	1.3	4.6	120,100	416,900
Global Total	**3,979,000**	**1.3**	**4.5**	**168,900**	**571,700**

Figures are gross with respect to Red Rabbit JV - May 2017 (Kiziltepe) and April 2018 (Tavşan) resource estimates. These figures are undepleted for mining at Kiziltepe and represent the pre-mining total resource.

Resources are inclusive of Reserves and are presented here as undepleted - please refer to the Reserve Estimate table for Kiziltepe for detail on the Reserves depletion.

Troy ounces of gold and silver have been calculated in the tables on the basis of 31.1035 g/troy oz.

Reserve Estimate for Kiziltepe at 1 g/t Au equiv. Cut-off (RRGP JV):

	Tonnes (t)	Grade Au (g/t)	Grade Ag (g/t)	Gold (oz)	Silver (oz)
Proven	914,770	3.3	43.2	98,440	1,271,650
Probable	194,070	2.6	19.2	16,150	119,880
Total	**1,108,840**	**3.2**	**40.9**	**114,590**	**1,391,530**
Mined (to end '18)	431,550	3.9	51.2	54,023	710,970
Balance remaining at end 2018	**677,290**	**n/a**	**n/a**	**60,567**	**680,560**

Probable Reserves are inclusive of Kepez. Mined (to end '18) is the total mined tonnage, actual mined grades of gold and silver, and total gold and silver produced from start-up in April 2017 to the end of 2018. Depleted Total represents the difference between the Total Proven and Probable Reserves and the Mined (to end '18) figures, and represents the Reserves remaining in the ground.

Mined (to end '18) includes ore processed (312,528t @ 5.4g/t Au, 49.1 g/t Ag), with the balance placed in ore stockpiles.

Operations Review *continued*

Kiziltepe Gold Mine

Commercial production was initiated at Kiziltepe during July 2017 as the Company's first mine. Gold mineralisation occurs within a large 3 x 1.5km area containing a series of quartz veins and associated alteration zones hosted by dacitic volcanic rocks. The Company is working towards a new resource estimate for the project based on recent drilling and geological interpretation. Detailed technical and economic assessments will be completed on several satellite vein systems which are not currently part of the mining plan, in anticipation of these being developed in future years. The Company is currently targeting a minimum ten-year mine life (eight years according to the Feasibility Study), which will require the addition of a further 40,000 oz gold equivalent in reserves outside of the four main pits at Arzu South, Arzu North, Banu and Derya, which are currently scheduled to be mined. Management is confident that this can be achieved should existing resources be converted to reserves as a result of this ongoing work.

KEY FIGURES

Kiziltepe 2018 Production Table

Mine Life	**c. 6 years remaining** (up to 10 years potential)
Cash Costs	
Q1 2018	**US$612**
Q2 2018	**US$371**
Q3 2018	**US$330**
Q4 2018	**US$349**
Processing	**CIL/CIC**
Production Rate	**20,000 oz Au p.a.** (up to c. 25,000 oz Au p.a.)
Global JORC Resource	**3.8Mt @ 2.1 g/t Au, 39.7 g/t Ag** (Measured, Indicated & Inferred)*
JORC Reserve	**1.1Mt @ 3.2 g/t Au, 40.9 g/t Ag** (Proven & Probable)*
Payback	**c. 1 year remaining on construction loan of US$33 million**
Royalty	**State Right and 2.5% NSR to Franco-Nevada**

* Resource figures include Reserves. Undepleted resource and reserve figures are provided on page 11.

Kepez Prospect

The Kepez Prospect area is located up to 14km haulage distance to the northeast from the Kiziltepe processing plant. Gold mineralisation occurs in a series of quartz veins and associated alteration zones hosted by dacitic volcanic rocks. A recent resource update for the Kepez Prospect demonstrated the potential to add at least one year of production from this satellite deposit to the Kiziltepe mining operations. An Environmental Impact Assessment ("EIA") extension covering part of the Kepez North area has been finalised, with the associated mining permit application process underway.

Resource Estimate table for Kepez (RRGP JV):

Kepez	Tonnes (t)	Grade Au (g/t)	Grade Ag (g/t)	Gold (oz)	Silver (oz)
North					
Indicated	60,000	4.6	34.7	8,768	66,030
Inferred	159,862	1.2	7.4	5,911	37,879
West					
Inferred	150,993	1.9	12.5	9,175	60,439
Global Total	**370,855**	**2.0**	**13.8**	**23,854**	**164,348**

Operations Review *continued*

Tavşan Development Project

The Tavşan Sector is located approximately 75km to the northeast of the Kiziltepe Mine. Gold mineralisation occurs within a jasperoid unit located between ophiolites and limestones. A recent Resource Estimate substantially de-risks the Project, following a material improvement in the resource classification; with 71% of the resource in Measured and Indicated categories. The new estimate has enabled the JV to proceed with a Feasibility Study and Environmental Impact Assessment ("EIA"), without further resource drilling. The JV is targeting the development of Tavşan as a semi-autonomous project in parallel with the Kiziltepe Mine, within the broader context of the Red Rabbit Joint Venture. Further work will be required on the Feasibility Study and EIA, which the JV is aiming to complete largely in-house, along with associated permitting.

KEY FIGURES

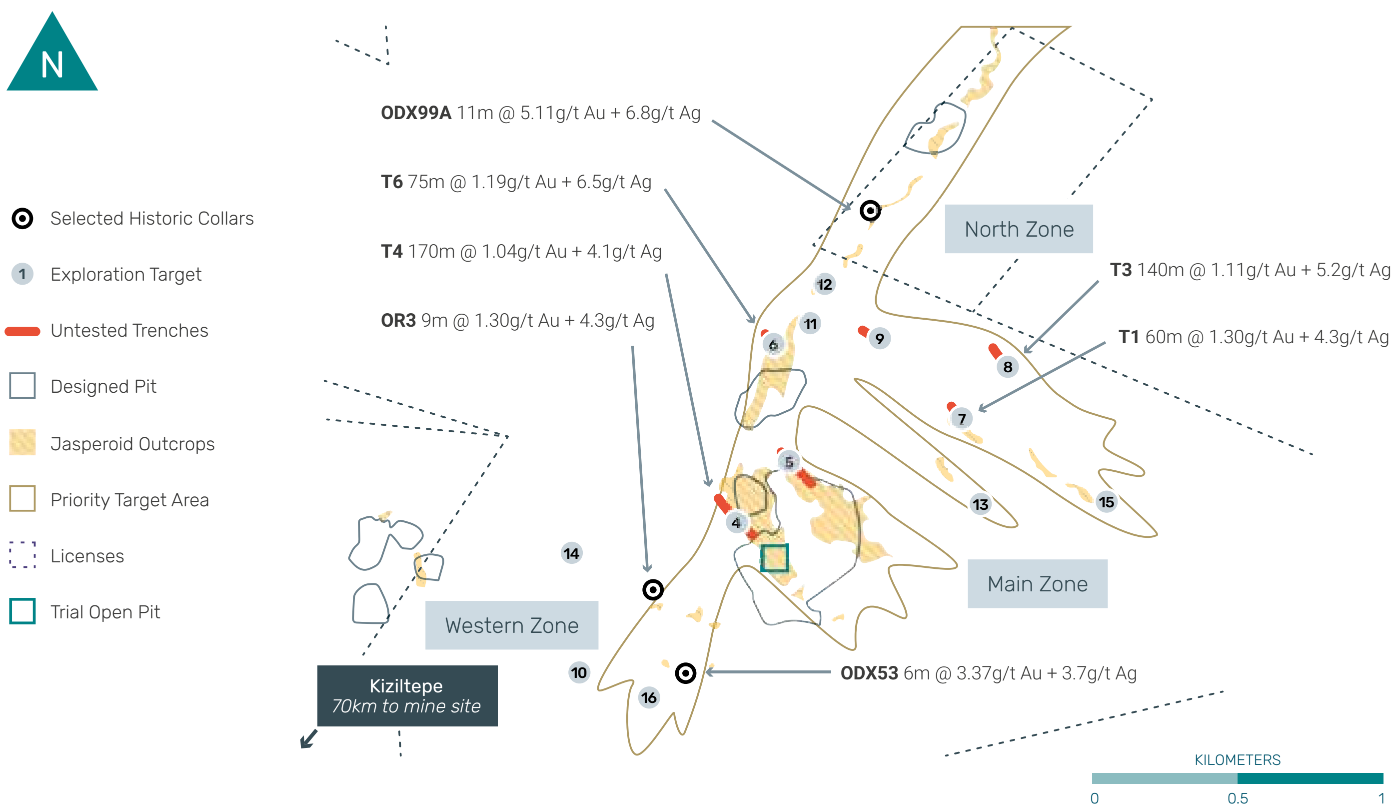
Scoping Study Summary

Mine Life	**4 years** (based on current resources)
Cash Costs	**US$630/oz**
Processing	**Heap Leach**
Production Rate	**30,000 oz Au p.a.**
Global JORC Resource	**4.0Mt @ 1.3g/t Au, 4.5g/t Ag** (Measured, Indicated & Inferred)
In-pit Grade	**1.6 g/t Au, 3.0 g/t Ag**
Net Present Value	**US$42 million***
Internal Rate of Return	**80%***
Payback	**1.1 years on US$20 million initial capital***
Royalty	**State Right and 2% NSR to Sandstorm Gold**

*Pre-tax base case at US$1,250/oz for gold as at November 2016.

TAVŞAN SITE PLAN

TAVŞAN EXPLORATION UPSIDE



Operations Review *continued*

Salinbaş Exploration Project

The Salinbaş Project is located in northeastern Turkey and is wholly owned by the Company. Confidence in the potential for the Salinbaş Project to host a multi-million ounce gold system in the area surrounding the Ardala Au-Cu-Mo porphyry has increased significantly during the past year. This was underpinned by the relogging of over 50 drill holes, along with associated three-dimensional modelling.

The new three-dimensional model has assisted with the visualisation of a highly prospective gold-silver bearing stratigraphic horizon located between volcanic rocks and limestones at Salinbaş, which, in parallel with the discovery of Salinbaş North, has enabled the definition of a JORC Exploration Target of up to 2.7Moz gold and 16.1Moz silver, in addition to JORC Indicated and Inferred Resources of c.1Moz gold. There is potential for further resource extensions to be delineated within high-grade and steeply plunging breccia pipes (akin to the nearby Hot Maden), which likely feed in to the Salinbaş Horizon.

Recent exploration has demonstrated that gold mineralisation continues to the immediate north of the Salinbaş deposit over c.500m of strike, as predicted by the geological model and the JORC Exploration Target. Furthermore, additional rock-chip sampling within and near the Ardala porphyry during trial mining undertaken in 2018, continued to reaffirm the understanding that this area represents a significantly gold enriched porphyry system. Further work will be required to determine if there are other gold-rich porphyry intrusions or breccia-pipes within the broader Ardala Intrusive Complex, which potentially underlie part of the Salinbaş deposit.

Trial-mining of the Ardala licence was completed during the year and planning for a drilling programme was advanced ahead of licence renewal during 2019. An exploration drilling plan, comprising up to c.10,000m of drilling, is to be executed in at least two phases.

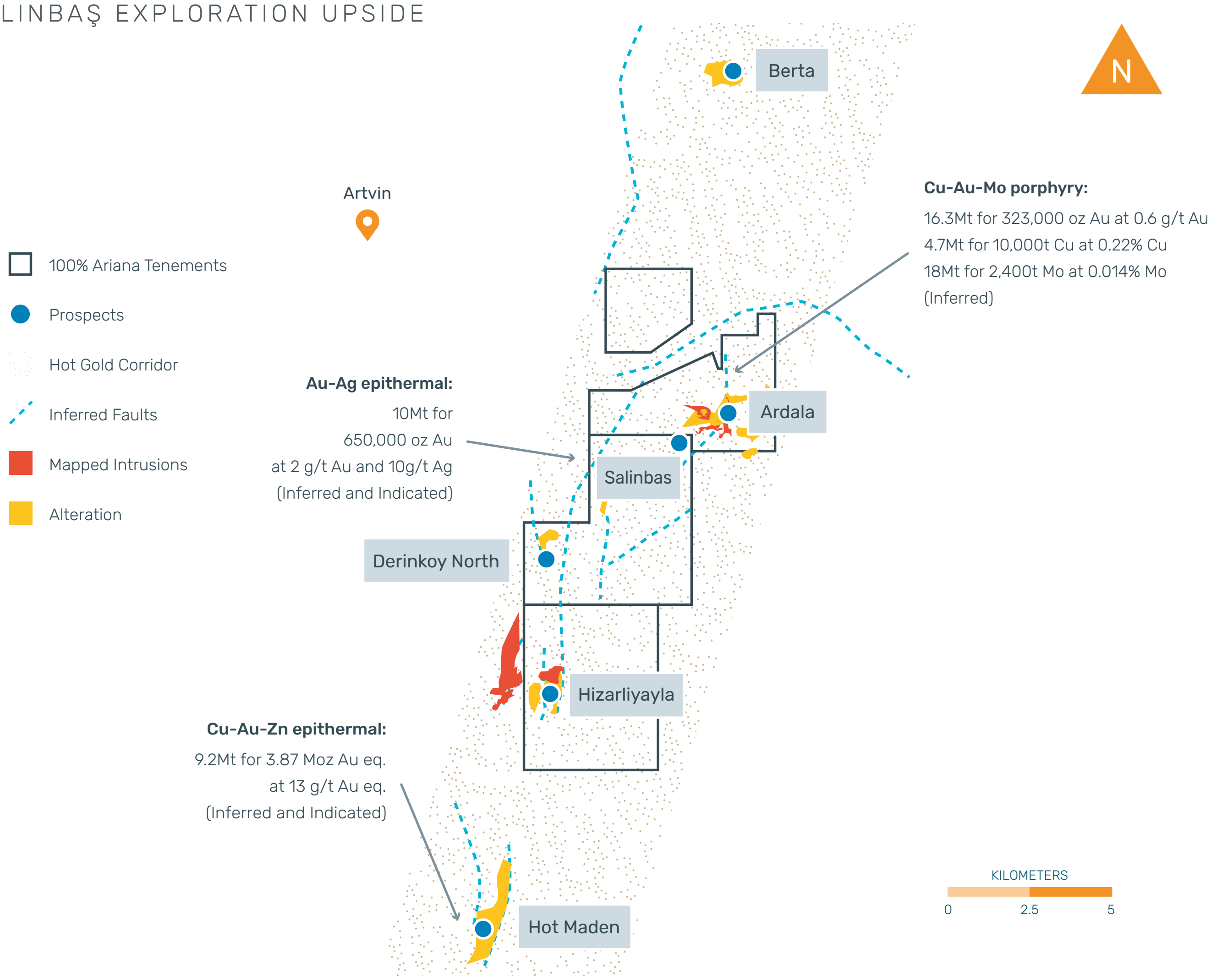
KEY FIGURES

Scoping Study Summary

Mine Life	**10 years**
Cash Costs	**US$770/oz**
Processing	**CIL**
Production Rate	**50,000 oz Au p.a.**
JORC Resource	**9.9Mt @ 2.0 g/t Au, 10.2 g/t Ag** (Indicated & Inferred)
Net Present Value:	**US$108 million***
Internal Rate of Return	**28%***
Payback	**3.3 years on US$53.3 million initial capital***
Royalty	**State Right and 2% NSR to Eldorado Gold**

*Pre-tax base case at US$1,250/oz for gold as at April 2015.

SALINBAŞ EXPLORATION UPSIDE



Resource Estimate table for Salinbaş / Ardala (100% Ariana owned):

Zone	Tonnes (t)	Grade Au (g/t)	Grade Ag (g/t)	Gold (oz)	Silver (oz)
Salinbaş[1]					
Indicated	2,290,000	2.1	11.9	155,500	877,700
Inferred	7,760,000	2.0	9.7	493,300	2,396,400

Zone	Tonnes (t)	Grade (g/t)	Metal[2]	Metal (t)	Gold (oz)
Ardala					
Inferred	16,270, 000	0.6	Au	-	323,000
Inferred	4,660,000	2,175	Cu	10,000	-
Inferred	18,000,000	136	Mo	2,400	-

1. *Figures for the Salinbaş Zone are revised according to a Scoping Study announced in Q2 2015.*
2. *Separate resource domains have been established for the Au, Cu and Mo components of the Ardala porphyry. It is considered reasonable to estimate these domains in this manner because the resource is classified as Inferred in this location and mining parameters have not yet been established. There is a 95% coincidence of the Au and Cu domains, and a 40-50% coincidence of the Au and Mo domains.*

Operations Review *continued*

Kizilçukur Development Project

The Kizilçukur Project is located 25km to the northeast of the Kiziltepe Mine and is wholly owned by the Company. Gold mineralisation occurs in a series of quartz veins within dominantly basaltic host rocks. The latest work at Kizilçukur highlights the potential for the project to become a satellite source of ore for the Kiziltepe Mine. Metallurgical testwork demonstrates that the Kizilçukur ore responds well to the leach conditions utilised within the Kiziltepe processing plant, with high gold recoveries ranging from c. 83 to 92%. Further work will be conducted on the ore to determine the variability of recovery over a greater range of grade and other characteristics.

Recent geochemical exploration has also shown potential for the Kizilçukur vein system to extend over an area of 2.3km by 0.3km, with further potential now identified in the still underexplored NE part of the licence. A revised economic study for the project has commenced to consider the viability of mining and trucking of the Kizilçukur ore from up to three open pits to the Kiziltepe processing plant. Approximately 3,000 tonnes of gold mineralised material is currently stockpiled on site, with future potential to truck to the Kiziltepe plant.

Resource Estimate table for Kizilçukur (100% Ariana owned):

Classification	Tonnes (t)	Grade Au (g/t)	Grade Ag (g/t)	Gold (oz)	Silver (oz)
Indicated	71,300	2.3	80.2	5,300	183,900
Inferred	236,600	2.0	71.4	15,500	543,200
Global Total	**307,900**	**2.1**	**73.4**	**20,800**	**727,100**

Ivrindi Exploration Project

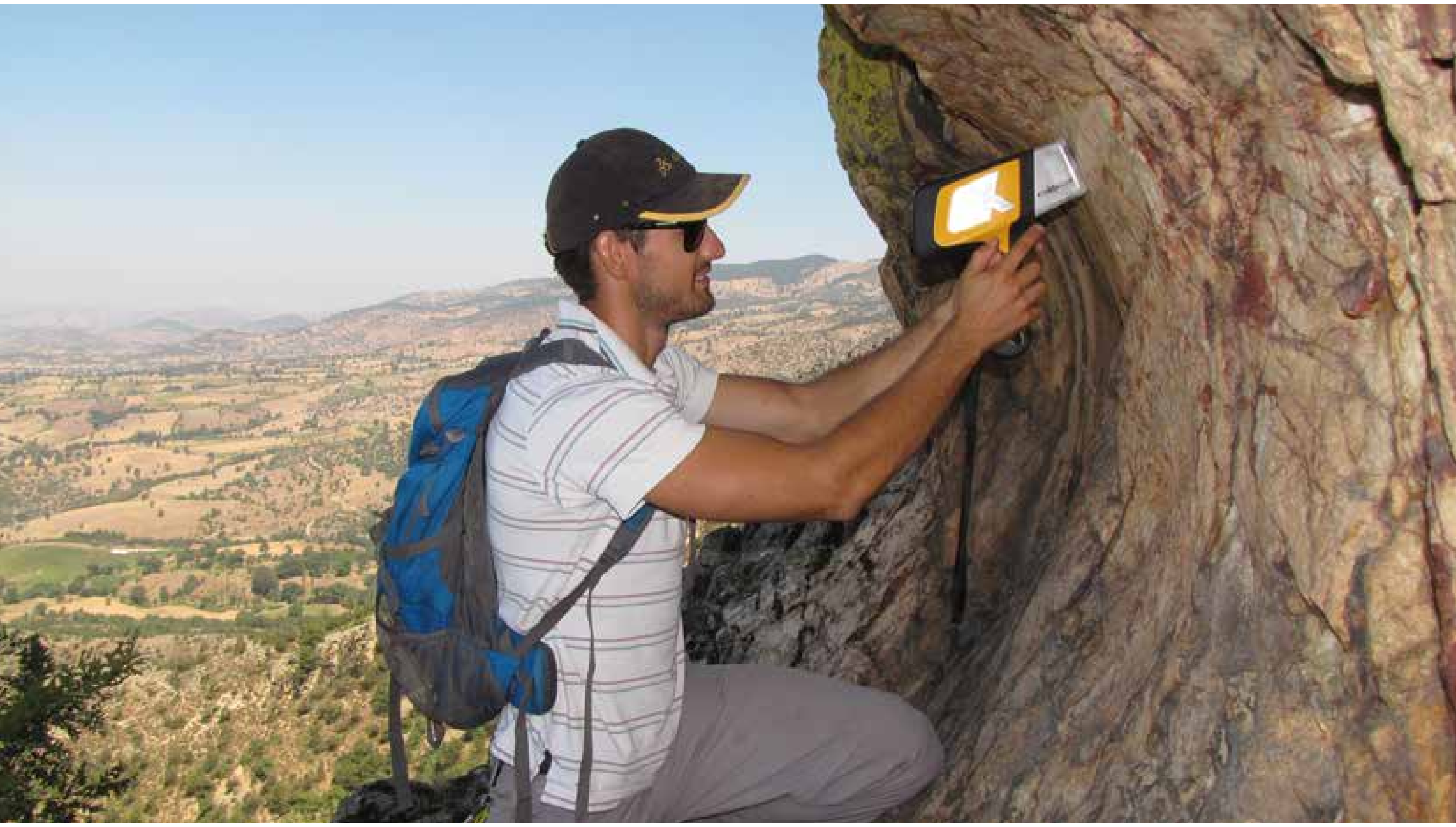
The Ivrindi Project is located 70km to the northwest of the Kiziltepe Mine and is wholly owned by the Company. Gold mineralisation is encountered within several discrete zones of clay alteration in andesitic volcanic rocks. Recent exploration in 2018 identified a new zone of mineralisation; a 1.3km long geochemical anomaly identified through soil pXRF analyses. While this zone will need to be tested further, this discovery has indicated the potential to grow the resource at Ivrindi substantially.

Ivrindi is envisaged as a satellite operation during the later stages of mine life at Kiziltepe. A drilling programme and metallurgical testwork are being planned in order to de-risk this project further. Trial mining conducted in 2018 produced 8,000 tonnes with a total of c.13,000 tonnes of gold mineralised material currently stockpiled on site, with future potential to truck to the Kiziltepe plant.

Resource Estimate table for Ivrindi (100% Ariana owned):

Classification	Tonnes (t)	Grade Au (g/t)	Grade Ag (g/t)	Gold (oz)	Silver (oz)
Inferred	207,000	1.7	n/a	11,000	n/a

KIZILTEPE EXPLORATION UPSIDE



Financial Review

The Group reported a profit before tax of £2.2m (2017: £0.4m), this improved performance being underpinned by our share of the overall improvement in Zenit's financial position. Zenit itself made a profit after tax for the year of £7.4m and our share of this amounted to £3.7m. Otherwise the Income Statement remained broadly consistent with the prior year in terms of both administrative expenses and more general exploration expenditure where it is not appropriate to capitalise within our intangible exploration assets. Foreign exchange translation losses within other comprehensive income reflect the continued decline in the Lira as it effects the cost of our Turkish denominated assets, but this is not an operating cost we can either influence or change. In many ways we are the beneficiaries of having a business which is US dollar denominated in terms of revenue, with a reduced cost base in terms of our Lira expenditure.

As far as the balance sheet is concerned, there is little change from 2017 in so far as the fair value cost of Salinbaş continues to dominate the intangible exploration asset category, albeit this also includes our exploration spend on Salinbaş since then and also our work around the Red Rabbit area and environs. Our overall cash position has improved as our loan to Zenit has been partially repaid and dividends have been received. Current liabilities are consistent with the prior year and there has been no change in the long term liabilities, both of which relate to Salinbaş, being the notional deferred tax arising on its valuation and the potential net smelter royalty payable on any ultimate gold production there.

Overall this has been a positive year for the Group financially. The strategic plan which had been set many years ago, which aimed to enable the Company to become self-financing, is now being realised.

Outlook

The past year has helped to lay the foundations of a sustainable mineral exploration and development business towards which we have strived for many years. Our JV operation at Kiziltepe continues to produce gold and silver at high margins due to the low-cost operating environment. This has resulted in sufficient cashflow to support ongoing exploration and development activity, not only at the JV level but also at the level of Ariana itself.

This is enabling the promotion of a self-sustaining investment cycle of mineral exploration, development and production, which must lie at the core of any successful mining company over the medium- to long-term.

We are fortunate to have been able to develop over the years a robust portfolio of assets within the Company, which reflect this overall strategy and represent projects at every stage of this self-sustaining investment cycle. Kiziltepe represents our producing asset, Tavşan our near-term development asset, various satellites representing potential additions for the JV and Salinbaş as our large-scale exploration asset. In addition, we are continually appraising new project opportunities and have continued to build on our "Special Projects" division, now headed specifically by Mr. Zack van Coller, with the goal of continuing to deliver new projects in to the pipeline as appropriate.

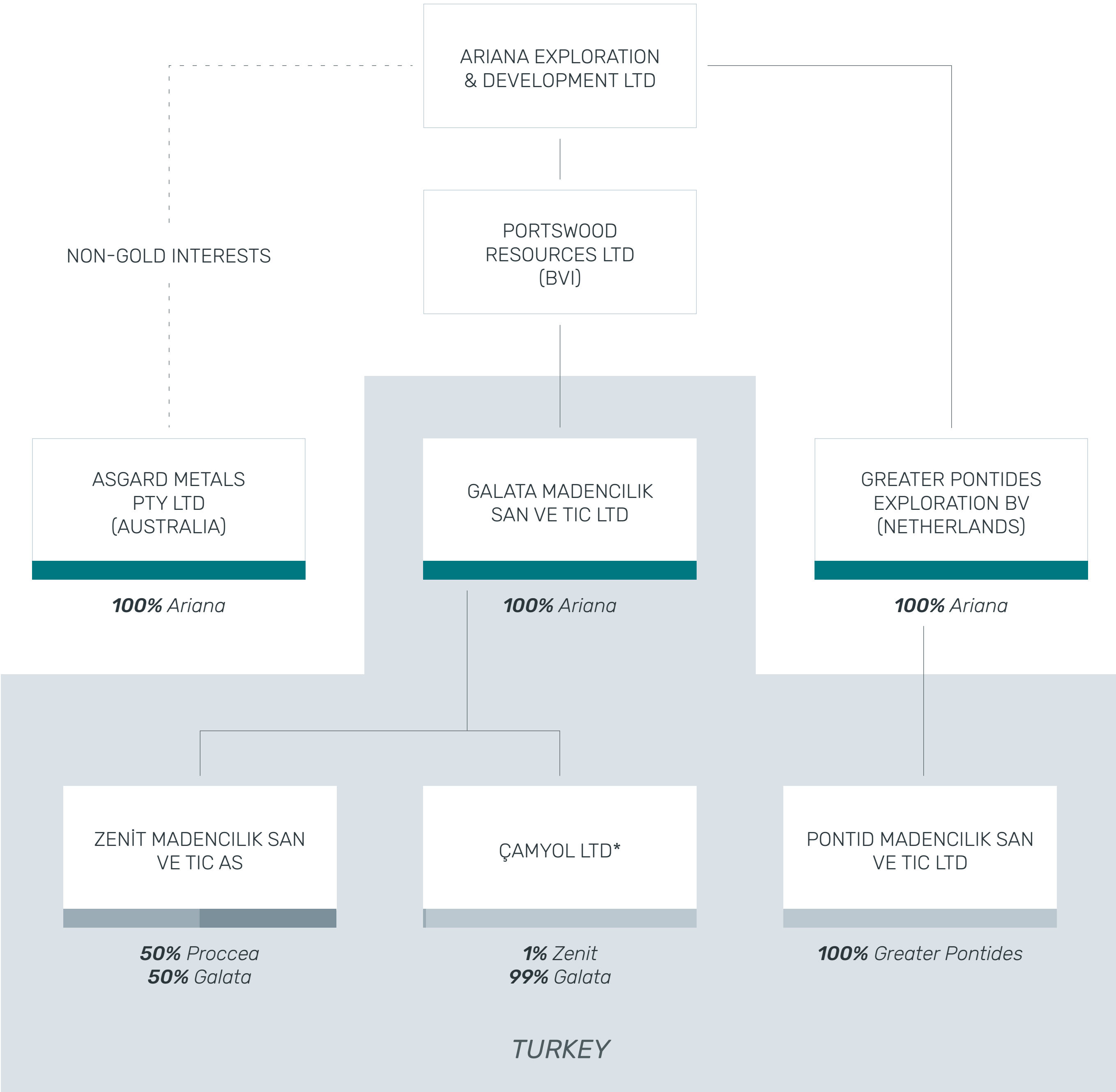
Ariana's exploration costs remain in the lowest quartile worldwide at approximately US$15 per ounce. While this is in part a result of operating in the low-cost environment of Turkey (4th lowest cost gold producing country in the world), it is also significantly a function of our measured and focused approach to exploration which we have developed over the past 15 years. At the core of this approach lies a principled geoscientific methodology which is tempered by a healthy dose of project risk assessment. Consequently, projects within the portfolio are advanced in a manner that takes in to account not only the geological opportunity but with due consideration given to relevant operating, financial and statutory conditions.

Furthermore, there are two broad principles which we have adhered to in order to maintain this approach. The first is knowledge-based resource targeting, which is in large part influenced by our understanding of structural geology and the evolution of hydrothermal systems over time. Secondly, our innovative use of technologies including remote-sensing, UAV's, track-mounted mobile drilling and extensive use of pXRF technology. All these technologies are united by their low relative cost and their direct application to the discovery of mineralisation. It is our intention to continue to drive the use of cutting-edge technology in our sector, with a view to increasing the success rates of discovery as the highest risk but absolutely necessary precursor to our self-sustaining investment cycle.

Dr Kerim Sener
Managing Director

Organisation Review

ARIANA RESOURCES plc



Note: simplified organisational structure.
Ownership structures as at 1 June 2019.

**Camyol Gayrimenkul, Madencilik, Turzm, Tarim ve Hayvancilik Ltd.*


Left to right: Chris Sangster, Kerim Sener, Michael de Villiers, William Payne

Directors

Michael de Villiers *B. Comm. Professional Accountant (SA) MIOD*

Chairman and Company Secretary

Michael qualified as a Professional Accountant with Ernst & Young in Cape Town. He gained his experience as Financial Manager at mining and chemicals operations in Botswana, Bulgaria, FSU, Ghana, Namibia and the United Kingdom. He was previously CFO of Eurasia Mining plc, Finance Director of Mercator Gold (now ECR Minerals plc), Oxus Gold plc and Navan Mining plc. He has 30 years' experience in the mining industry.

Michael is Chairman of the Audit Committee and serves on the Sustainability Committee.

Kerim Sener *BSc (Hons) MSc DIC PhD*

Managing Director

Kerim graduated from the University of Southampton with a first-class BSc (Hons) degree in Geology in 1997 and from the Royal School of Mines, Imperial College, with an MSc in Mineral Exploration in 1998. After working in gold exploration and mining in Zimbabwe, he completed a PhD at the University of Western Australia in 2004. Since then he has been responsible for the discovery of over 3.8Moz of gold in eastern Europe. Kerim is also Non-Executive Chairman of NEX-listed Panther Metals plc and an Adjunct Research Associate at the Centre for Exploration Targeting, University of Western Australia.

Kerim is a Fellow of The Geological Society of London, Member of The Institute of Materials, Minerals and Mining, Member of the Chamber of Geological Engineers in Turkey and a member of the Society of Economic Geologists.

William Payne *BA (Hons) ACA*

Non-Executive Director and
Chief Financial Officer

William studied Accountancy at Exeter University before training and qualifying as a Chartered Accountant with KPMG in London. In 2003, he became a partner in top 20 accountancy practice Wilkins Kennedy LLP at their London office, which is now part of the Cogital Group. William is also a director of a number of companies, including Fire Angel Safety Technology Group plc, a company listed on AIM.

William is Chairman of the Remuneration Committee and serves on the Audit Committee.

Chris Sangster *BSc (Hons), ARSM, GDE, FIMMM*

Non-Executive Director

Chris is a mining engineer with over 40 years' experience in the mining industry. He has a BSc Hons in Mining Engineering from the Royal School of Mines, Imperial College in London and a GDE in Mineral Economics from the University of Witwatersrand and is a Fellow of the Institute of Materials Minerals and Mining. Chris has extensive experience in gold, diamond and base metal production environments. He held positions of Vice President Mining Services at KCM PLC and Principal Mining Engineer for Australian Mining Consultants. He co-founded ASX / AIM listed Scotgold Resources and was its Managing Director following which he became a Non-Executive Director and Technical Consultant from late 2014.

Chris is Chairman of the Sustainability Committee and serves on the Remuneration Committee.

Operational Team

Our full team can be viewed at arianaresources.com

Fatma Yildiz *BSc (Hons)* General Manager

Fatma is a Turkish national and has 11 years of experience in the mining sector in Turkey. She graduated from Cukurova University in 2007 with a BSc degree in Mining Engineering. In addition to being our General Manager, she is also responsible for managing the administrative and legal requirements of our exploration/operational licenses, applications and formal reporting for licenses.

Fatma is a member of the Chamber of Mining Engineers of Turkey, holder of a technical inspector certificate and an occupational health and safety certificate.

Berkin Uğurlu *BSc (Hons)* Exploration Manager

Berkin graduated from the Middle East Technical University with a BSc degree in Geology. He worked with Teck in Turkey for four years before spending a further four years as a Senior Consultant. Following this he was appointed as Country Manager for Tigris-Eurasia Madencilik, originally a subsidiary of Royal Road Minerals, where he worked for four years. He has experience managing all aspects of mineral exploration programmes from project generation through to resource and reserve drilling and technical reporting including to 43-101 and JORC standards.

He is a member of the Society of Economic Geologists, a board member of the Mining Geologists Association and a member of the Chamber of Geological Engineers in Turkey. He holds a IHA0 drone pilot qualification in Turkey.

Zack van Coller *BSc (Hons)* Special Projects Geologist

Zack graduated from Cardiff University with a BSc (Hons) degree in Exploration and Resource Geology in 2010. As leader of our Special Projects Team, he is responsible for advancing our project pipeline, in addition to being involved in various exploration programmes across Turkey. He was involved in the development of the highly successful lithium strategy pursued by Asgard Metals Pty. Ltd. on behalf of Ariana. He has also been involved in advanced project development of a high-sulphidation Cu-Au deposit in the Republic of North Macedonia. Zack is bilingual in English and Afrikaans.

Zack is a member of the Geological Society of London and the Southampton Mineral and Fossil Society and operates primarily between the UK and Turkey.

Key Performance Indicators

Financial KPIs

Production Success	Enhancing profits through efficient mining operations and successful conversion of Resources to Reserves.
Exploration Expenditure	Enhancing intangible exploration assets through targeted expenditure.
Cash Flow Forecasts	Regular cash flow monitoring to ensure exploration targets are met and that working capital is maintained.

Operational KPIs

Operational Success	Increasing JORC compliant resources and progressing Red Rabbit Gold Project through development and into production.
Advance Portfolio	Through acquisition or discovery of new exploration properties utilising on-going exploration to target new ground.
Environmental, Health & Safety	Ensuring that all efforts are made to minimise adverse personal, corporate and environmental outcomes, through best practice training, implementation and monitoring.

Risks & Uncertainties

Risk	Description	Mitigation
Production risk	Mining activity involves a variety of potential risks to production or interruptions to output. These can include geological, mining, processing, environmental and financial risks.	The Joint Venture company reviews mining progress on a regular basis to determine any potential risk factors that could affect production negatively. The Joint Venture employs experienced management staff.
Exploration and development risk	Inherent risks associated with the failure to discover or develop an economically recoverable ore reserve, to conclude a definitive feasibility study, and to obtain the necessary consents and approvals for the conduct of exploration and mining.	The Board is committed to reviewing progress relating to the development of its various exploration targets and assesses this against planned expenditure and expected outcomes. The Group employs highly trained geologists with extensive knowledge of the style of gold/silver mineralisation located in Turkey.
Partner risk	Any joint venture arrangement contains an element of counterparty risk.	The Company maintains good working relationships with our Joint Venture partners and monitor their financial condition and commitment on a regular basis.
Political / in-country risk	Political instabilities, which could cause the loss of an asset through expropriation, war or unrest. Exploration or mining licences applied for might not be granted or renewed.	Turkey benefits from a robust political environment and has established fiscal and mining codes. The Group enjoys a good working relationship with the relevant authorities in Turkey and has a permanent management team in the country to monitor developments.
Environmental / safety risk	Major pollution arising from operations and/or loss of life due to systems or equipment failure.	The Group adopts best practice in the industry with on-site, country level and corporate level policies and procedures.
Commodity risk	A potential fall in commodity prices which could lead to it becoming uneconomic for the Group to mine its assets.	The Group's principal interest is gold and silver and the outlook for gold remains broadly positive as a continuing safe haven vehicle for wealth protection. The Group will consider the use of appropriate hedging products to mitigate this risk.
Financing risk	This is the risk of running out of working and investment capital.	The Group relies primarily on cash flow from its joint venture investment in an operational gold mine as well as the issue of share capital, to include bank borrowing where appropriate, to finance its activities. The Group maintains tight financial and budgetary control to keep its operations cost effective. Forward planning helps ensure it is adequately funded to reach its objectives.
Foreign currency risk	The Group's results are sensitive to foreign currency movements and in particular with its exposure to the Turkish Lira, arising from the Group's primary operations being in Turkey.	The Group finances its overseas operations by transferring Pounds Sterling from the UK to meet local operating costs which are generally either denominated in Turkish Lira or US Dollars. The Group maintains the majority of its cash in Pounds Sterling and continues to monitor relevant currency movements and considers action where appropriate.

Corporate Governance

The Ariana Board of Directors aims to conform to statutory responsibilities and industry good practice in relation to corporate governance of Ariana and its subsidiaries. The Board has adopted the latest version of the QCA Corporate Governance Code (2018) ("QCA Code") and strives to follow the 10 principles outlined within it to the fullest extent possible taking into consideration the stage of development of the Company.

Details of how the Company addresses the key governance principles defined in the QCA code are set out below, and are found in more detail on the Company's website in accordance with AIM Rule 26.

1. Business model and strategy

The Board has developed and implemented a strategy and business model which it believes will achieve long term value for shareholders. This strategy and business model is clearly explained in the strategic report and on the Company's website. The Company believes that this strategy and business model is appropriate to protect the Company from unnecessary risk and secure its long-term future.

2. Understanding shareholder needs and expectations

The Board is committed to maintaining good communications and seeks to understand and meet shareholder needs and expectations by engaging with them across a range of platforms. This includes regular investor presentations, Q&A forums, investor relations company services, an investor portal available on the website, and social media sites as well as its Annual General Meeting. The Company provides phone numbers on all its updates and RNS announcements where shareholders can contact the appropriate senior Company representatives or advisors directly with their queries together with a dedicated email address for shareholder feedback.

3. Considering wider stakeholder and social responsibilities

The Board recognises that the long-term success of the Company is reliant upon the efforts of the employees of the Company and its partners, contractors, suppliers, regulators and other stakeholders. The Board has put in place a range of processes and systems to ensure that there is close oversight and contact with its key resources and relationships.

The Company's principal areas of operation (project locations) are in Turkey and the surrounding regions. The Company is committed to cultivating and maintaining good relations with all stakeholders and its strategy and business model is designed to minimise any negative impact of its activities and of those working on its behalf, on the communities where it operates and on the environment. The Company has established a positive working relationship with governments, non-government organisations and local communities with whom it holds regular meetings to appraise them of the Company's plans. The Company firmly believes that the mining and exploration development projects that form the basis of its business model will substantially benefit the countries and regions in which it operates. The Company provides open and clear communication channels and points of contact for all its stakeholders and has a robust communication system in place to ensure all concerns are quickly brought to the Board and senior management's attention.

4. Risk management

In addition to its other roles and responsibilities, the Audit and Compliance Committee is responsible to the Board for ensuring that procedures are in place and are being implemented effectively to identify, evaluate and manage the risks faced by the Company. The Company recognises that it is exposed to risks which may negatively impact on its business operations. It takes all reasonable steps to identify, assess the impact of and mitigate these risks wherever possible. These risks are clearly identified on page 25 of the Strategic Report.

5. A well-functioning Board of Directors

The Board comprises a Chairman, Michael de Villiers, a Managing Director, Dr Kerim Sener and two non-executive directors, William Payne and Chris Sangster. Chris Sangster, is considered by the Board to be an independent director. The two executive directors comprise the Company's Managing Director and Chairman who dedicate 100% of their contractually required time to the Group. The non-executive directors dedicate as much time as is required for them to fully carry out their duties for the Group including overseeing corporate governance arrangements and serving on board committees with the ultimate responsibility for the quality of, and approach to, corporate governance lying with the Chairman. Michael de Villiers also serves as the Company Secretary and William Payne acts as the Chief Financial Officer. It is recognised that an additional independent non-executive director will benefit the Company and it will appoint such an independent director at the appropriate time so as to comply with the Code. It is also recognised that whilst the finance function is currently carried out by a Non-Executive Director and his supporting team in the UK, given not only William Payne's accountancy experience but also that of executive director Michael de Villiers, it is effective and well suited to the Company.

The Board is responsible for formulating, reviewing and approving the Group's strategy, budgets, major items of capital expenditure and acquisitions. An agenda and all supporting documentation is circulated to the directors before each Board meeting. Open and timely access to all information is provided to directors to enable them to bring independent judgement on issues affecting the Group and facilitate them in discharging their duties. The Board met regularly during the last financial year to 31 December 2018. Generally, no individual director is absent for more than one board meeting during any given year.

In accordance with the Articles of Association of the Company, one third of the Board is required to retire each year at the Company's AGM but directors resigning so can put their name forward for re-election.

The Board is accountable to the shareholders for delivery of sustained value growth. In order to support its duties and responsibilities the Board implements control procedures that assess and manage risk and ensure robust financial and operational management within the Group.

The Board sets the Group's strategy and monitors its implementation through operational and financial performance reviews. It also works to ensure that adequate resources are available to implement strategy and exploit opportunities in an appropriate manner.

The Board has three sub-committees: the Audit Committee, Remuneration Committee and Sustainability Committee. Governance and Nominations are dealt with by the entire Board.

6. Appropriate skills and experience of the directors

The Board members have a diverse range of skills and experience spanning technical, financial and operational areas relevant to the development and management of the Company. Summary biographies of each Board member are shown on the Company's website. Directors keep their skill sets up to date by attendance at, and participation in, various events organised by their respective industry sectors and by participation in continuing professional development courses. As the Company evolves, the Board will be reviewed and expanded if necessary to ensure appropriate expertise is always in place to support its business activities. The Board recognises that it currently has a limited diversity and this will form a part of any future recruitment consideration if the Board concludes that replacement or additional directors are required.

7. Evaluation of board performance

The performance of the executive management of the Company is evaluated on an on-going basis by the Remuneration Committee ("Remcom") which is composed of William Payne and Chris Sangster. The results of these evaluations are reflected in changes in the executive remuneration levels recommended by the Remcom from time to time and in awards under the Company's Share Option and Management Incentive Schemes where it considers such awards are warranted. As the Company grows, the Board will develop more comprehensive human resource policies to provide both internal and external performance evaluations of its Board, senior management and staff including the provision for upskilling where necessary and to provide for Board member succession planning. The Board considers that the corporate governance policies it has currently in place for Board performance reviews is commensurate with the size and development stage of the Company and well within the norms of the peer group and industry.

8. Corporate culture

The Company operates across several countries including the UK, Turkey, Holland and Australia. In line with its international reach, the Company recognises the cultural diversity both internally and among its business partners, service providers and other stakeholders. The Board recognises that their decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is very aware that the tone and culture set by the Board will impact all aspects of the Company as a whole and the way that employees behave. The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long-term value to its shareholders and that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board. A large part of the Company's activities is centred upon what needs to be an open and respectful dialogue with employees, partners and other stakeholders. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives. The Board places great importance on this aspect of corporate life and seeks to ensure that this flows through all that the Company does. The directors consider that at present the Company has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge.

Corporate Governance *continued*

The Company has adopted, with effect from the date on which its shares were admitted to AIM, a code for directors' and employees' dealings in securities which is appropriate for a company whose securities are traded on AIM and is in accordance with the requirements of the Market Abuse Regulation which came into effect in 2016.

9. Maintenance of governance structures and processes

Ultimate authority for all aspects of the Company's activities rests with the Board, the respective responsibilities of the Chairman and Managing Director arising as a consequence of delegation by the Board. The Board has adopted appropriate delegations of authority which set out matters which are reserved to the Board. The Chairman is responsible for the effectiveness of the Board, while management of the Company's business and primary contact with shareholders has been delegated by the Board to the Managing Director.

Audit Committee

Michael de Villiers and William Payne

This committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Company is properly measured and reported. It receives reports from the executive management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Company. The Audit Committee shall meet not less than twice in each financial year and it has unrestricted access to the Company's auditors.

Remuneration Committee

William Payne and Chris Sangster

The Remuneration Committee reviews the performance of the executive directors and employees and makes recommendations to the Board on matters relating to their remuneration and terms of employment. The Remuneration Committee also considers and approves the granting of share options pursuant to the share option plan and the award of shares in lieu of bonuses pursuant to the Company's Remuneration Policy. The Remunerations Committee reviews overall remuneration against industry peer group companies on a regular basis and takes professional advice as and when it is deemed necessary.

Sustainability Committee

Michael de Villiers and Chris Sangster

The Sustainability Committee is formed of the two directors who have prior operational and industry experience and may include other management who are responsible for developing and implementing policy and procedures.

The Company is committed to providing all employees a safe place to work in accordance with our HSE goals. This will be accomplished by providing safe equipment to operate, proper training and safe methods and procedures. The Company will at a minimum, comply with all applicable industry norms for rules and regulations. The Company takes the approach that no job is so important that it cannot be accomplished without injury. The Sustainability Committee also deals with the CSR policy outlined below.

Nominations Committee

The Board has agreed that appointments to the Board will be made by the Board as a whole and so has not created a Nominations Committee.

Directors Fiduciary Duties

In accordance with the Companies Act 2006, the Board complies with: a duty to act within their powers; a duty to promote the success of the Company; a duty to exercise independent judgement; a duty to exercise reasonable care, skill and diligence; a duty to avoid conflicts of interest; a duty not to accept benefits from third-parties and a duty to declare any interest in a proposed transaction or arrangement.

10. Shareholder communication

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. The Company has close ongoing relationships with its private shareholders. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with the Company. In addition, all shareholders are encouraged to attend the Company's Annual General Meeting.

Investors also have access to current information on the Company though its website, https://www.arianaresources.com, and via management, who are available to answer investor relations enquiries. The Company proposed in 2018, subject to the necessary formalities, to move to more enhanced electronic communications with shareholders in order to maximise efficiency.

Corporate Responsibility

Since commencing work on our Red Rabbit Gold Project, which includes the Kiziltepe gold mine, Ariana has been committed to building strong links with local communities and to establishing relationships of trust with stakeholders across Turkey. In addition, the Company has in place an Anti-Corruption and Anti-Bribery Policy. Since inception, we have been committed to socially responsible and environmentally conscious exploration and mining. Whilst work on establishing vital stakeholder links often occurs in the background, its importance cannot be under-estimated. Without such concerted efforts over many years, we would not be in the strong position of having an operating a gold mine today.

Shareholders

The Board of Directors actively encourages communications with shareholders and seeks to protect shareholders' interests at all times. More information can be found on page 26 in Corporate Governance.

Employees

Ariana has always attached great importance to professional development and the creation of employment in the localities where we operate. The Company provides fair remuneration, flexible working arrangements where practical and exposure to wider aspects of the Company's operations. The Company gives full and fair consideration to applications for employment received irrespective of age, gender, colour, ethnicity, disability, nationality, religious beliefs or sexual orientation. More information on Ariana's Employee policy can be found on its corporate website.

Local Community

Ariana has a strong track record of working with local suppliers and employing local people. Ariana has run many training programmes to focus on the mechanical, physical, technical and safety aspects of its exploration programmes. The Joint Venture company, Zenit Madencilik, employs local personnel, including professionally qualified mining engineers, from nearby villages and towns. More information on Ariana's Communities policy can be found on its corporate website.

Suppliers & Contractors

The Company has a prompt payment policy and seeks to ensure that all liabilities are settled within the supplier's terms. Through fair dealings the Company aims to cultivate the goodwill of its contractors, consultants and suppliers.

The Environment and Environmental Standard Compliance

Ariana has established operating guidelines to ensure that specific environmental standards are met by its exploration and mining teams (through Zenit). We comply with various local environmental standards in Turkey and operate under the relevant certification from government departments accordingly.

Human Rights

Ariana is committed to best-practice in socially and ethically responsible exploration and mining for the benefit of all stakeholders. The activities of the Company are in line with applicable laws on human rights.

Health and Safety

Company activities are carried out in accordance with its Health and Safety Policy, which adheres to all applicable laws. Relevant to their job roles, members of the team have received certification in occupational health and safety, advanced off-road driving, first-aid and survival.

Report of the Directors

For the year ended 31 December 2018

The Directors present their report with the audited financial statements of the Company and the Group for the year ended 31 December 2018.

Principal activity

Ariana Resources PLC (the "Company") is a public limited company incorporated and domiciled in Great Britain. The addresses of its registered office and principal place of business are disclosed at the end of this report. The Company's shares are listed on the AIM market of the London Stock Exchange. The principal activities of the Company and its subsidiaries (the "Group") are related to the exploration for and development of gold and other minerals principally in Turkey.

Directors

The Directors during the year under review were:
M J de Villiers
A K Sener
W J B Payne
C J S Sangster

The beneficial interests of the Directors holding office either directly or indirectly (including interests held by spouses, children or associated parties) on 31 December 2018 in the ordinary issued share capital of the company were as follows:

	2018	2017
M J de Villiers	54,845,000	36,680,000
A K Sener	19,564,252	18,104,252
W J B Payne	9,359,314	7,909,314
C J S Sangster	3,716,844	2,648,292
Total	**87,485,410**	**65,341,858**

Share Options

A new share option scheme commenced with effect from 1 January 2018, where 64,000,000 new options were issued to Directors and staff at an exercise price of 1.55 pence, vesting over 3 years.

	2018	2017
M J de Villiers	17,000,000	-
A K Sener	19,000,000	-
W J B Payne	4,000,000	-
C J S Sangster	4,000,000	-
Total	**44,000,000**	**-**

Share capital

Section 561 of the Companies Act 2006 provides that subject to limited exceptions any shares being issued must be issued to all existing shareholders pro-rata to their holding. However, where Directors have a general authority to allot shares they may be given the power by the Articles or by a special resolution to allot shares pursuant to the authority as if the statutory pre-emption rights did not exist.

An ordinary resolution will be proposed at the forthcoming Annual General Meeting for the renewal of the Directors' general authority to issue relevant securities up to an aggregate nominal amount of £500,000.

A special resolution will also be proposed at the forthcoming Annual General Meeting for the renewal of the Directors' authority to allot relevant securities for cash without first offering them to the shareholders pro-rata to their holdings, pursuant to section 570 of the Companies Act 2006 up to an aggregate nominal amount of £250,000.

The authority mentioned above will, if passed, expire at the earlier of the following Annual General Meeting or the date being 15 months from the passing of the resolutions.

Substantial share interests

The Company had been notified of the following interests in the Company's shares held on 18 May 2019:

Shareholder	Ordinary Shares	% of Issued Share Capital
Hargreaves Lansdown Nominees Limited	189,038,793	18
Barclays Direct Investing Nominees Limited	132,546,719	13
Interactive Investor Services Nominees Limited	99,195,997	9
Share Nominees Ltd	59,679,789	6
Mr Michael de Villiers	54,845,000	5
HSDL Nominees Limited	53,563,022	5
Jim Nominees Limited	50,566,751	5
Mr Steve Bingham	31,650,000	3
Eldorado Gold Corp.	28,337,000	3
Mr Ronald Bruce Rowan	24,400,000	2

Strategic Report

The Company has chosen, in accordance with Section 414C of the Companies Act 2006, to set out the following information in the Strategic Report which would otherwise be required to be contained in the Directors' Report:

- Financial risk management objectives;
- Indication of exposure to principal risks;
- Corporate Governance including committee objectives and memberships;
- Future developments of the business.

The Impact of Brexit on the Group

The Board has considered the extent of challenges to our business model and operations arising from the proposed withdrawal of the United Kingdom from the European Union ("Brexit"). The Board does not envisage Brexit having an impact on the Group, based on operations and cash flow generating elements of the business residing outside the EU. The Group's is sensitive to foreign currency movements and details of this risk and mitigation thereof are outlined within the Strategic Report on page 25.

The Board will continue to follow the development of the UK's negotiations with the European Union and evaluate the impact on the Group accordingly.

Dividends

No dividends will be distributed for the year ended 31 December 2018 (2017: £nil) and the retained profit has been transferred to reserves.

Group's policy on payment of creditors

It is the Group's normal practice to settle the terms of payment when agreeing the transaction, to ensure suppliers are aware of those terms and to abide by them. Trade creditor days based on creditors at 31 December 2018 were 30 days (2017: 30 days).

Political and charitable contributions

No donations for political or charitable purposes have been made by the Group during the year.

Going concern

The Directors confirm that they are satisfied the Group has adequate resources to continue in business for the foreseeable future, having regard to the factors set out in more detail in Note 1 to the accounts.

Post year end events

There are no post year end events.

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs as adopted by the EU) and applicable law and they have elected to prepare the parent Company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are responsible for preparing a Strategic Report and a Director's Report that complies with the law and those regulations.

Report of the Directors

For the year ended 31 December 2018

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Corporate governance

The Board of Directors

The Directors are responsible for the Group's system of internal control and for reviewing its effectiveness. The risk management process and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Group's objectives. Any such system of internal control can only provide reasonable but not absolute assurance against material misstatement or loss.

Full meetings are held quarterly to review Group strategy, direction and financial performance. The directors meet regularly to review operational reports from all of the Group's areas of operations. The process is used to identify major business risks and evaluate their financial implications and ensure an appropriate control environment. Certain control over expenditure is delegated to on site project managers subject to Board control by means of monthly budgetary reports.

Internal financial control procedures include:

- preparation and regular review of operating budgets and forecasts;
- prior approval of all capital expenditure;
- review and debate of treasury policy; and
- unrestricted access of Non-Executive Directors to all members of senior management.

Audit Committee

The Audit Committee comprises Michael de Villiers and William Payne. The Audit Committee may examine any matters relating to the financial affairs of the Group and the Group's audits. This includes reviews of the annual financial statements and announcements, internal control procedures, accounting procedures, accounting policies, the appointment, independence, objectivity, terms of reference and fees of external auditors and such other related functions as the Board may require.

Remuneration Committee

The committee comprises William Payne and Chris Sangster. It determines the terms and conditions of the employment and annual remuneration of the Executive Directors. It consults with the Managing Director, takes into consideration external data and comparative third party remuneration and has access to professional advice outside the Company.

The key policy objectives of the Remuneration Committee in respect of the Company's Executive Directors and other senior executives are:

- to ensure that individuals are fairly rewarded for their personal contribution to the Company's overall performance; and
- to act as the independent committee ensuring that due regard is given to the interest of the Company's shareholders and to the financial and commercial health of the Company.

Remuneration of the Executive Directors comprises basic salary, discretionary bonuses, participation in the Company's share option scheme and other benefits. The Company's remuneration policy with regard to options is to maintain an amount of not more than 10% of the issued share capital in options for the Company's management and employees.

Total Directors' emoluments are disclosed in Note 3 to the financial statements and the Directors' options are disclosed above.

Auditor

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

The directors approve the directors' report and Strategic report.

By order of the Board.

Michael de Villiers
Company Secretary

Independent Auditor's Report

To the members of Ariana Resources PLC

1. Our opinion is unmodified

We have audited the financial statements of Ariana Resources plc ("the Company") for the year ended 31 December 2018 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Company Statement of Cash Flows, Consolidated Statement of Cash Flows, and the related notes, including the accounting policies in Note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including FRC Ethical Standard as applied to SME listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview		
Materiality: group financial statements as a whole		£450k (2017:£874k) 2.2% (2017: 4.4%) of net assets
Coverage		99% (2017: 96%) of net group assets
Key audit matters		vs 2017
Recurring risks	Valuation of intangible exploration assets	◄►
	Recoverability of parent's debt due from group entities	◄►

Independent Auditor's Report

To the members of Ariana Resources PLC

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows unchanged from 2017:

	The risk	Our response
Recoverability of intangible exploration assets (£17.0m; 2017: £17.5m) *Refer to page 46 (accounting policy) and page 53 (financial disclosures)*	**Judgements on impairment indicators** The carrying amount of the Group's intangible exploration assets represents 70% (2017: 73%) of the Group's total assets. Therefore we consider it necessary to assess whether the facts and circumstances exist to suggest that the carrying amount of this asset may exceed its recoverable amount. Determining whether impairment indicators exist involves significant judgement by management, including considering specific impairment indicators prescribed in IFRS 6.	Our procedures included: • Independent to management's assessment, we performed an assessment of indicators of impairment on the Group's intangible exploration assets in accordance with the requirements of IFRS 6; • Obtained evidence that the group has valid rights to explore areas represented by the intangible exploration asset and evidence of management action to renew licences that have expired; • Assessed planned future exploration and evaluation activity in respect of the areas represented by the intangible exploration asset; • Inquired with management on current and future exploration programs, including whether management has any plans to abandon licenced areas; and • Assessed the appropriateness of the Group's disclosure in respect of the judgement on whether impairment indicators exist, Note 1 (accounting judgements).
Recoverability of parent's debt due from group entities (£9.7m; 2017: £10.4m) *Refer to page 47 (accounting policy) and page 56 (financial disclosures).*	**Low risk, high value** The carrying amount of the intra-group debtor balance represents 96% (2017: 97%) of the parent company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	Our procedures included: • Assessed 100% of group debtors to identify, with reference to the relevant debtors' financial statements or draft balance sheets, whether they have a positive net asset value and therefore coverage of the debt owed; • Assessed the ability of the subsidiary to obtain liquid funds and therefore the ability of the subsidiary to fund the repayment of the receivable.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £450k (2017: £874k), determined with reference to a benchmark of net assets, of which it represents 2.2% (2017: 4.4%).

Materiality for the parent company financial statements as a whole was set at £157k (2017: £457k), determined with reference to a benchmark of net assets, of which it represents 1.6% (2017: 4.2%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £22.5k (2017: £44k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 9 (2017: 9) reporting components, we subjected 4 (2017: 4) to full scope audits for group purposes and 1 (2017: 1) to specified risk-focused audit procedures. The latter was not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed.

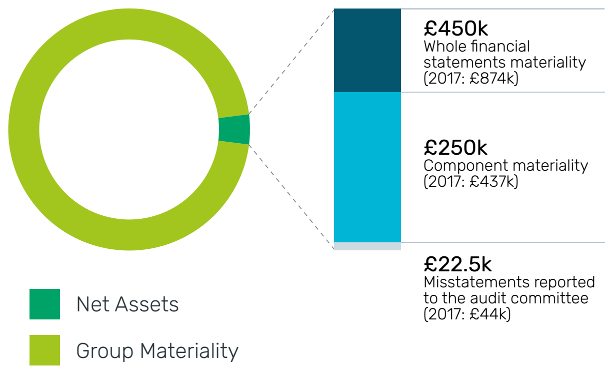
The components within the scope of our work accounted for the percentages illustrated opposite.

The remaining 1% of total group assets and 1% of net group assets is represented by 4 reporting components, none of which individually represented more than 1% of any of total group assets or net group assets. For these residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

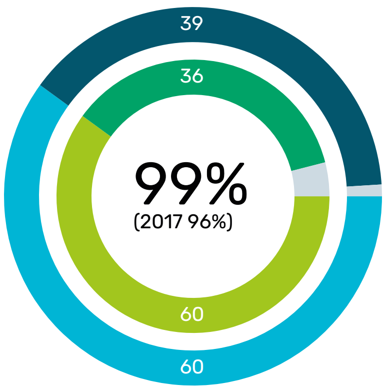
The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materiality at £250k (2017: £437k). The work on 2 of the 9 components (2017: 2 of the 9 components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team. The Group team held telephone conference meetings with the component auditor where the findings reported to the Group team were discussed in more detail and the Group team performed a review of the audit file of the component auditor.

Net Assets
£20.0m (2017: £19.7m)

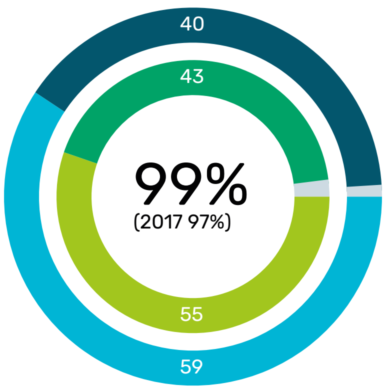
Group Materiality
£450k (2017: £874k)



Group net assets



Group total assets



- Full scope for group audit purposes 2018
- specified risk-forced audit procedures 2018
- Full scope for group audit purposes 2017
- specified risk-forced audit procedures 2017
- Residual Components

Independent Auditor's Report

To the members of Ariana Resources PLC

4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model, including the impact of Brexit, and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period.

The risk that we considered most likely to affect the Group's and Company's available financial resources over this period was:

- expected future cash flows from the Group's investment in the Joint Venture.

As this was the risk that could potentially cast significant doubt on the Group's and the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from this risk and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as significant reductions in gold demand or gold price which could result in a rapid reduction of available financial resources.

Based on this work, we are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 31, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditors responsibilities.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Richard De La Rue *(Senior Statutory Auditor)*
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
4 June 2019

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Administrative costs		(1,355)	(1,311)
General exploration expenditure		(153)	(40)
Exploration costs - written off	10	(181)	(352)
Operating loss	**4**	**(1,689)**	**(1,703)**
(Loss)/profit on disposal of available for sale investments	12	(2)	117
Share of profit of Joint Venture	5	3,710	1,834
Investment income		158	176
Profit before tax		**2,177**	**424**
Taxation	7	-	-
Profit for the year		**2,177**	**424**
Earnings per share (pence)			
Basic and diluted	9	0.21	0.04
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(2,162)	(1,363)
Fair value adjustment on available for sale investments		-	(53)
Items that will not be classified to profit and loss			
Net change in fair value of equity securities at FVOCI	12	(26)	-
Other comprehensive loss for the year net of income tax		**(2,188)**	**(1,416)**
Total comprehensive loss for the year		**(11)**	**(992)**

Continuing operations

None of the Group's activities discontinued during the current or previous year.

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

For the year ended 31 December 2018

	Note	2018 £'000	Restated 2017 £'000
Assets			
Non-current assets			
Trade and other receivables	14	83	1,445
Intangible exploration assets	10	16,975	17,527
Land, property, plant and equipment	11	278	289
Investment in Joint Venture	5	3,968	2,467
Total non-current assets		**21,304**	**21,728**
Current assets			
Trade and other receivables	15	1,860	1,195
Equity securities at FVOCI/Available for sale investments	12	35	218
Cash and cash equivalents		938	773
Total current assets		2,833	2,186
Total assets		**24,137**	**23,914**
Equity			
Called up share capital		6,054	6,054
Share premium	17	11,821	11,821
Other reserves		720	720
Share based payments	17	250	93
Translation reserve		(4,196)	(2,034)
Retained earnings		5,315	3,071
Total equity attributable to equity holders of the parent		19,964	19,725
Total equity		**19,964**	**19,725**
Liabilities			
Non-current liabilities			
Deferred tax liabilities	18	2,273	2,273
Other financial liabilities	19	1,651	1,651
Total non-current liabilities		**3,924**	**3,924**
Current liabilities			
Trade and other payables	16	249	265
Total current liabilities		249	265
Total equity and liabilities		**24,137**	**23,914**

The financial statements were approved by the Board of Directors and authorised for issue on 4 June 2019.
They were signed on its behalf by:

M J de Villiers
Chairman

A.K.Sener
Managing Director

Company Statement of Financial Position

For the year ended 31 December 2018

	Note	2018 £'000	Restated 2017 £'000
Assets			
Non-current assets			
Trade and other receivables	14	9,749	10,421
Investments in group undertakings	13	337	274
Total non-current assets		**10,086**	**10,695**
Current assets			
Trade and other receivables	15	-	20
Equity securities at FVOCI/Available for sale investments	12	35	63
Cash and cash equivalents		-	-
Total current assets		35	83
Total assets		**10,121**	**10,778**
Equity			
Called up share capital		6,054	6,054
Share premium	17	11,821	11,821
Share based payments reserve	17	250	93
Retained earnings		(8,010)	(7,196)
Total equity		**10,115**	**10,772**
Liabilities			
Current liabilities			
Trade and other payables	16	6	6
Total current liabilities		6	6
Total equity and liabilities		**10,121**	**10,778**
Company's loss for the financial year		**907**	**876**

The financial statements were approved by the Board of Directors and authorised for issue on 4 June 2019.
They were signed on its behalf by:

M J de Villiers
Chairman

A.K.Sener
Managing Director

Registered number : 05403426
The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital £'000	Share premium £'000	Other reserves £'000	Share based payments reserve £'000	Translation on reserve £'000	Retained earnings £'000	Total attributable to equity holders of parent £'000
Changes in equity to 31 December 2017							
Balance at 1 January 2017	5,836	9,241	720	571	(671)	2,222	17,919
Profit for the year	-	-	-	-	-	424	424
Other comprehensive income	-	-	-	-	(1,363)	(53)	(1,416)
Total comprehensive income	**-**	**-**	**-**	**-**	**(1,363)**	**371**	**(992)**
Issue of share capital	218	2,782	-	-	-	-	3,000
Share issue costs	-	(202)	-	-	-	-	(202)
Cancellation of share options	-	-	-	(478)	-	478	-
Transactions with owners	**218**	**2,580**	**-**	**(478)**	**-**	**478**	**2,798**
Balance at 31 December 2017	**6,054**	**11,821**	**720**	**93**	**(2,034)**	**3,071**	**19,725**
Changes in equity to 31 December 2018							
Profit for the year	-	-	-	-	-	2,177	2,177
Other comprehensive income	-	-	-	-	(2,162)	(26)	(2,188)
Total comprehensive income	**-**	**-**	**-**	**-**	**(2,162)**	**2,151**	**(11)**
Share options	-	-	-	250	-	-	250
Transfer of share options	-	-	-	(93)	-	93	-
Transactions with owners	**-**	**-**	**-**	**157**	**-**	**93**	**250**
Balance at 31 December 2018	**6,054**	**11,821**	**720**	**250**	**(4,196)**	**5,315**	**19,964**

The accompanying notes form part of these financial statements.

Company Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital £'000	Share premium £'000	Share based payments reserve £'000	Retained earnings £'000	Total £'000
Changes in equity to 31 December 2017					
Balance at 1 January 2017	5,836	9,241	571	(6,815)	8,833
Loss for the year	-	-	-	(876)	(876)
Other comprehensive income	-	-	-	17	17
Total comprehensive income	**-**	**-**	**-**	**(859)**	**(859)**
Issue of share capital	218	2,782	-	-	3,000
Share issue costs	-	(202)	-	-	(202)
Cancellation of share options	-	-	(478)	478	-
Transactions with owners	**218**	**2,580**	**(478)**	**478**	**2,798**
Balance at 31 December 2017	**6,054**	**11,821**	**93**	**(7,196)**	**10,772**
Changes in equity to 31 December 2018					
Loss for the year	-	-	-	(907)	(907)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**(907)**	**(907)**
Share options	-	-	250	-	250
Cancellation of share options	-	-	(93)	93	-
Transactions with owners	**-**	**-**	**157**	**93**	**250**
Balance at 31 December 2018	**6,054**	**11,821**	**250**	**(8,010)**	**10,115**

The accompanying notes form part of these financial statements.

Company statement of cash flows

All bank transactions are undertaken by Ariana Exploration & Development Limited on behalf of Ariana Resources PLC and recharged accordingly. As such the Company had no cash transactions directly, as was the case in 2017.

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 £'000	2017 £'000
Cash flows from operating activities		
Profit before tax	2,177	424
Adjustments for:		
Loss/(profit) on disposal of available for sale investments	2	(117)
Depreciation of non-current assets	1	1
Directors and staff remuneration paid in shares	-	191
Write down of intangible exploration assets	181	352
Fair value adjustments	26	53
Share of profit in Joint Venture	(3,710)	(1,834)
Share based payments charge	250	-
Investment income	(158)	(176)
Movement in working capital	(1,231)	(1,106)
Decrease/(increase) in trade and other receivables	183	(950)
(Decrease) in trade and other payables	(49)	(112)
Foreign exchange differences on retranslation of assets and liabilities	-	(159)
Cash outflow from operating activities	(1,097)	(2,327)
Taxation paid	-	(403)
Net cash from operating activities	**(1,097)**	**(2,730)**
Cash flows from investing activities		
Purchase of land, property, plant and equipment	(36)	(20)
Payments for intangible assets	(353)	(390)
Proceeds from disposal of available for sale investments	146	700
Dividends from Joint Venture	1,369	-
Investment income	158	176
Net cash from investing activities	**1,284**	**466**
Cash flows from financing activities		
Proceeds from issue of share capital	-	2,608
Net cash proceeds from financing activities	-	2,608
Net increase in cash and cash equivalents	**187**	**344**
Cash and cash equivalents at beginning of year	773	440
Exchange adjustment	(22)	(11)
Cash and cash equivalents at end of year	**938**	**773**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

1. General Information

Ariana Resources PLC (the "Company") is a public limited company incorporated, domiciled and registered in the UK. The registered number is 05403426 and the registered address is 2nd Floor, Regis House, 45 King William Street London EC4R 9AN.

The Company's shares are listed on the Alternative Investment Market of the London Stock Exchange. The principal activities of the Company and its subsidiaries (together the "Group") are related to the exploration for and development of gold and technology-metals, principally in Turkey.

The consolidated financial statements are presented in Pounds Sterling (£), which is the parent company's functional and presentation currency, and all values are rounded to the nearest thousand except where otherwise indicated. The financial information has been prepared on the historical cost basis modified to include revaluation to fair value of certain financial instruments and the recognition of net assets acquired including contingent liabilities assumed through business combinations at their fair value on the acquisition date modified by the revaluation of certain items, as stated in the accounting policies.

Basis of Preparation

The group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and effective for the Group's reporting for the year ended 31 December 2018.

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with IFRS. These financial statements have been prepared under the historical cost convention (except for available for sale financial assets) and the accounting policies have been applied consistently throughout the Group.

Going Concern

These financial statements have been prepared on the going concern basis.

The Directors are mindful that there is an ongoing need to monitor overheads and costs associated with delivering the exploration programme and to raise additional working capital to support the Group's specific activities on occasion. The Group has no bank facilities and has been meeting its working capital requirements from cash resources. At the year end the Group had cash and cash equivalents amounting to £938,000 (2017: £773,000), together with available for sale investments with a market value of £35,000 (2017: £218,000).

The Directors have prepared cash flow forecasts for the Group for the period to 30 June 2020 based on their assessment of the prospects of the Group's operations. The cash flow forecasts include expected future cash flows from our Joint Venture investment in Zenit Madencilick San. ve Tic. A.S. ("Zenit"), be they loan repayments or dividends paid, along with the normal operating costs for the Group over the period together with the discretionary and non-discretionary exploration and development expenditure. The forecasts indicate that on the basis of existing cash and other resources, and expected future repayments of loans and dividend payments from Zenit, the Group will have adequate resources to meet all its expected obligations in delivering its work programme for the forthcoming year. In the event that the forecast cash flow from Zenit is not forthcoming, the Group has the ability to reduce its operating expenditure and in particular its discretionary exploration expenditure, along with the ability to liquidate the available for sale investments in order to assist the Group meet its financial obligations as they fall due.

If either of these alternatives should not prove adequate to meet the Group's financial obligations, the Directors would be obliged to consider a variety of options as regards to the financing of the Group going forward, and this may include an equity raise via an open-offer if thought appropriate. Despite challenging capital markets for junior exploration and mining companies, the Company and Group have been successful historically in raising equity finance and in light of this, the directors have a reasonable expectation of securing sufficient funding to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the consolidated financial statements.

In preparing these financial statements the Directors have given consideration to the above matters and on this basis they believe that it remains appropriate to prepare the financial statements on a going concern basis.

New Accounting Standards & Interpretations

The Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") that are relevant to its operations and effective for accounting periods beginning 1 January 2018.

IFRS 9 was published in July 2014 and was adopted by the Group from 1 January 2018. It is applicable to financial assets and financial liabilities, and covers the classification, measurement, impairment and de-recognition of financial assets and financial liabilities together with a new hedge accounting model. The Group applies the IFRS 9 simplified approach to providing for expected credit losses in accordance with applicable guidance for non-banking entities. Under the simplified approach the Group is required to measure lifetime expected credit losses for all trade receivables. The impact of moving from the incurred loss model in IAS39 to the expected loss model in IFRS 9 has not had a significant impact. However, the adoption of IFRS 9 has impacted the classification categories of financial assets. The classification of Asset Held For sale in IAS 39 has been eliminated and financial assets previously classified as Assets Held for Sale are now classified by the Group as Fair Value Through Other Comprehensive Income (FVOCI). The company has taken the exemption from retrospective application on transition to IFRS 9 and so comparatives have not been restated.

IFRS 15 Revenue from Contracts was adopted by the group from 1 January 2018. It applies to contracts with customers and introduces a new revenue recognition model that recognises revenue either at a point in time or over time. The Group does not currently generate any Revenue but this standard is applicable to the Joint Venture. The transition to IFRS 15 did not have a significant impact in the Joint Venture.

IFRS 16 'Leases' – IFRS 16 'Leases' was issued by the IASB in January 2017 and is effective for accounting periods beginning on or after 1 January 2019. The new standard will replace IAS 17 'Leases' and will eliminate the classification of leases as either operating leases or finance leases and, instead, introduce a single lessee accounting model. The standard, which has been endorsed by the EU, provides a single lessee accounting model, specifying how leases are recognised, measured, presented and disclosed.

The Directors are currently evaluating the financial and operational impact of this standard including the application to service contracts at the mine containing leases. Due to the limited number of leases in existence the Directors do not consider the impact of IFRS 16 will have a material effect on the Group's affairs.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Ariana Resources PLC and its subsidiaries for the year ended 31 December 2018. Subsidiaries are all entities over which the Group has power to direct relevant activities and an exposure to variable returns. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The cost of an acquisition is measured at fair value of the assets and equity instruments acquired, and the liabilities incurred or assumed at the date of exchange.

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of acquisition is measured at the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued.

The acquirer's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS3 are recognised at their fair values at the acquisition date. Where the Group acquires a subsidiary for less than the fair value of its assets and liabilities, this results in negative goodwill or gain on acquisition which is recognised in profit and loss.

If a business combination is achieved in stages, the acquisition date carrying value of the group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurements are recognised in the income statement. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group. All significant intercompany transactions and balance between group entities are eliminated on consolidation.

The Group has applied IFRS 11 to all joint arrangements as of 1 January 2015. The Group identifies joint arrangements as those arrangements in which two or more parties have joint control, where joint control is evidenced by the contractually agreed sharing of control of an arrangement, which exists where the decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

Joint operations are identified as those agreements whereby the parties have rights to the assets and obligations for liabilities relating to the arrangement. Joint operations are accounted for by recognising the operator's relevant share of assets, liabilities, revenues and expenses. The Group currently has no joint operations in existence.

Joint ventures are identified as those agreements whereby the parties have rights to the net assets of the arrangement and are accounted for using equity accounting in accordance with IAS 28. Interest in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the Joint Venture.

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The results and assets and liabilities of our investments in our associates are incorporated in these financial statements using the equity method of accounting except when classified as held for sale. Investments in associates are carried in the Group statement of financial position at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associates, less any impairment in the value of individual investments. Losses of the associates in excess of the Group's interest in those associates are not recognised.

In the Company accounts, investments in subsidiary undertakings are held at cost.

Income and expense recognition

The Group's other income otherwise represents consideration received on the disposal of licences, consultancy fees and interest receivable from bank deposits. Interest income is accrued on a time basis, by reference to the principal outstanding and the effective rate of interest applicable. Operating expenses are recognised in the statement of comprehensive income upon utilisation of the service or at the date of their origin and are reported on an accruals basis.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Pounds Sterling, which is the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the comprehensive income statement.

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2018

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transaction); and
- all resulting exchange differences are recognised as a separate component of equity. On consolidation, exchange differences arising from the translation of monetary items receivable from foreign subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the statement of comprehensive income as part of the gain or loss on sale.

Earnings per share

Basic earnings per share amounts are calculated by dividing the profit after taxation of the Group by the weighted average number of shares outstanding during the year.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Land	–	not depreciated
Computer equipment	–	between 25% & 33%
Drilling equipment	–	between 10% & 20%
Fixtures and fittings	–	between 5% & 33%
Motor vehicles	–	between 20% & 25%

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

Depreciation charged on property plant and equipment is capitalised within intangible exploration assets.

Intangible exploration assets

Intangible assets represent exploration and evaluation assets (IFRS 6 assets), being the cost of acquisition by the Group of rights, licences and know how. Such expenditure requires the immediate write-off of exploration and development expenditure that the Directors do not consider to be supported by the existence of commercial reserves.

All costs associated with mineral exploration and investments, are capitalised on a project-by-project basis, pending determination of the feasibility of the project. Costs incurred include appropriate technical and administrative expenses but not general overheads and these assets are not amortised until technical feasibility and commercial viability is established. If an exploration project is successful, the related expenditures will be transferred to mining assets and amortised over the estimated life of the commercial ore reserves on a unit of production basis. Where a licence is relinquished or a project abandoned, the related costs are written off.

The recoverability of all exploration and development costs is dependent upon the discovery of economically recoverable reserves, the ability of the Group to obtain necessary financing to complete the development of reserves and future profitable production or proceeds from the disposition thereof.

Exploration and evaluation assets shall no longer be classified as such when the technical feasibility and commercial viability of extracting mineral resources are demonstrable. When relevant, such assets shall be assessed for impairment, and any impairment loss recognised, before reclassification to mine development.

Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets (except for intangible exploration assets) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Investment in Group undertakings

The Company's investments in Group undertakings are carried at historical cost less any provision for impairment. The Company's investments arose from either incorporation of, or acquisition of subsidiary companies primarily based in Turkey. As these investments are not amortised, their carrying values are at risk of impairment. The carrying value of investments is compared to their recoverable amounts which are assessed with reference to the discounted cash flow forecasts associated with these territories.

Equity securities designated as at FVOCI

At 1 January 2018, the group designated investments in equity securities at FVOCI because these equity securities represent investments that the Group intends to hold for the long term for strategic purposes. In 2017, these investments were classified as available-for-sale. These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial asset only when the contractual rights to cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for the amount it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or expired.

Financial Assets

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost less any provision for impairment. The Group applies the IFRS 9 simplified approach to providing for expected credit losses in accordance with applicable guidance for non-banking entities. Under the simplified approach the Group is required to measure lifetime expected credit losses for all trade receivables. No bad debts have been identified during the period.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and on-demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash with three months or less remaining to maturity and are subject to an insignificant risk of changes in value.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Equity instruments

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Share-based payments

For such grants of share options, the fair value as at the date of grant is calculated using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that are likely to vest, except where forfeiture is only due to market-based conditions not achieving the threshold for vesting. Where shares are issued in settlement of goods or services supplied, the relevant expense is recorded in the consolidated statement of comprehensive income, with the related share issue recorded within share capital and share premium.

Shareholder warrants

The shareholder warrants entitle shareholders to a number of common shares based upon the number of shares they subscribed for at the date of issue of the warrant instrument. The warrants relate to a transaction with the equity holders as opposed to a transaction in exchange for any goods or services. The equity component of the instrument is not considered material and there is no liability component arising as a result of these warrants. Upon exercise of the warrant, the proceeds received, net of attributable transaction costs, are credited to share capital and where appropriate share premium.

Provisions

Provisions are liabilities where the exact timing and amount of the obligation is uncertain. Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when an outflow of resources is probable to settle the obligation and when an amount can be reliably estimated. Where the time value of money is material, provisions are discounted to current values using appropriate rates of interest. The unwinding of the discounts is recorded in net finance income or expense.

Taxation

Current income tax assets and liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting year, that are unpaid at 31 December 2018. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year.

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2018

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted as at 31 December 2018. Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the consolidated statement of comprehensive income, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited to equity. The deferred tax asset arising from trading losses carried forward as referred to in Note 8 has not been recognised. The deferred tax asset will be recognised when it is more likely than not that it will be recoverable.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors who have been identified as responsible for allocating resources and assessing performance of the operating segments, and who act as the Chief Operating Decision Maker.

Accounting judgements

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Accounting for Joint Venture

Management have reviewed the criteria of IFRS 11 and made a judgement that despite its 50% shareholding, Zenit is a Joint Venture rather than a subsidiary due to the contractual agreement to share control of that company. The Group accounts for its Joint Venture with Proccea in Zenit using the equity method in accordance with IAS 28 (revised).

Intangible exploration assets

Determining whether intangible exploration assets are impaired requires an assessment of whether there are any indicators of impairment,by reference to specific impairment indicators prescribed in IFRS 6. This requires judgement. This includes the assessment, on a project by project basis, of the likely recovery of the cost of the Group's Intangible exploration assets in the light of future production opportunities based upon ongoing geological studies. This also involves the assessment of the period for which the entity has the right to explore in the specific area, or if it has expired during the period or will expire in the near future, if it is not expected to be renewed. The Group determines that exploration costs are capitalised at the point the Group has a valid exploration licence or is in the process of renewal.

Impairment of assets, excluding intangible exploration assets

The Group assesses impairment at each reporting date on a project by project basis by evaluating conditions specific to the Group that may indicate an impairment of assets. Where indicators of impairment exist, the recoverable amount of the asset is determined based on value in use or fair value less cost to sell, both of which require the Group to make estimates. The directors are aware that two licence areas are pending conversion to operational status at the General Directorate of Mining and Petroleum Affairs ("MAPEG"), both of which are expected to be converted successfully within the next 12 months.

2. Staff costs

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Wages and salaries	336	551	315	529
Social security costs	31	33	27	28
Share based payments (option scheme)	250	-	187	-
Pension contributions	18	16	16	14
	635	600	545	571

Total staff costs, including those capitalised within intangible assets, amounts to £856,000 (2017: £801,000). The average monthly number of employees (including Executive Directors) during the year was as follows:

	2018 Number	2017 Number
Exploration activities	10	10
Administration	5	5
	15	15

3. Directors' emoluments

	2018 £'000	2017 £'000
Basic salary and fees	360	382
Bonus shares	-	101
Pension contributions	17	14
	377	497

Key management personnel consist of only the Directors. Details of share options and interests in the Company's shares of each Director are shown in the Directors' Report on page 30.

	Year	Salary & fees £'000	Bonus shares	Pension £'000	Total £'000
Michael de Villiers	2018	130	-	-	130
	2017	135	34	-	169
Kerim Sener	2018	150	-	16	166
	2017	168	47	14	229
William Payne	2018	40	-	-	40
	2017	41	10	-	51
Christopher Sangster	2018	40	-	1	41
	2017	38	10	-	48

William Payne's services are provided by a firm of Accountants, further details of which are set out in Note 22.

4. Expenses and auditors' remuneration

The operating loss is stated after charging/ (crediting):

	2018 £'000	2017 £'000
Depreciation – owned assets	1	1
Operating lease – office rental	-	4
Write down of Intangible exploration assets	181	352
Net foreign exchange losses	96	147
Fees payable to the Company's auditor for the audit of the Company's annual accounts	65	55
Fees payable to the Company's auditor for other services:		
– The audit of the Company's subsidiaries	28.5	15

5. Share of profit of interest in Joint Venture

In July 2010 the Group entered into an agreement with Proccea Construction Co. ("Proccea") such that Galata Madencilik San. ve Tic. Ltd. ("Galata") would transfer its principal assets at Kiziltepe and Tavşan, collectively known as the "Red Rabbit Gold Project" into a new wholly owned subsidiary, Zenit Madencilik San. ve Tic. A.S. ("Zenit"). Proccea earned their 50% share in Zenit by investing US$8 million in the capital of Zenit, US$1.4 million of such funds having been spent on a Feasibility Study and an Environmental Impact Assessment ("EIA"), with the balance on initial mine construction, once the Feasibility Study and EIA were completed satisfactorily. Shareholdings in Zenit represents the ratio of 50% the Group and 50% to Proccea, with Proccea in management control, but with key decisions requiring approval from both the Group and Proccea.

Zenit entered production during March 2017, with commercial production declared from 1 July 2017. Operational revenues and costs arising from pre-commercial production were capitalised in 2017 along with any new capital expenditure incurred during 2018 including the construction of the district road diversion necessary for the full development of the Arzu South open pit. Total revenue for the year was c. US$37.8 million in gold and silver sales.

The liability of the Joint Venture includes current and non-current portions of a bank loan repayable to Turkiye Finans Katilim Bankasi A.S.. Management does not foresee any significant restrictions on the ability of the Joint Venture to repay this loan.

The Group accounts for its Joint Venture with Proccea in Zenit using the equity method in accordance with IAS 28 (revised). At 31 December 2018 the Group has a 50% (2017: 50%) interest in Zenit. Ultimately profits from Zenit are shared in the ratio of 51:49 between Group and Proccea.

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:

Statement of Comprehensive Income	2018 £'000	2017 £'000
Revenue	29,254	8,854
Cost of sales	(13,548)	(4,808)
Gross Profit	**15,706**	**4,046**
Administrative expenses	(969)	(423)
Operating profit	**14,737**	**3,623**
Finance expenses	(12,196)	(2,646)
Finance income	4,552	2,690
Profit on ordinary activities before tax	**7,093**	**3,667**
Taxation	327	-
Profit for the year after tax	**7,420**	**3,667**
Proportion of the Group's profit share	50%	50%
Group's share of profit for the year	**3,710**	**1,834**

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2018

5. Share of profit of interest in Joint Venture *continued*

Statement of financial position	2018 £'000	2017 £'000
Assets Non-current assets		
Other receivables	513	-
Intangible exploration assets	370	94
Kiziltepe Gold Mine (Including capitalized mining costs, property, plant and equipment)	24,538	31,085
Advances to contractors	-	915
Total non-current assets	**25,421**	**32,094**
Current assets		
Cash and cash equivalents	3,570	505
Trade and other receivables	1,098	127
Inventories	1,474	941
Other receivables, VAT and prepayments	1,074	936
Total current assets	**7,216**	**2,509**
Total assets	**32,637**	**34,603**
Liabilities		
Non-current liabilities		
Borrowings	8,959	15,977
Asset retirement obligation	978	1,088
Total non-current liabilities	**9,937**	**17,065**
Current liabilities		
Borrowings	9,272	6,615
Trade payables	2,081	2,484
Other payables (including shareholder loans)	3,411	3,504
Total current liabilities	**14,764**	**12,603**
Total liabilities	**24,701**	**29,668**
Equity	7,936	4,935
Proportion of the Group's profit share	50%	50%
Carrying amount of investment in Joint Venture	**3,968**	**2,467**
Movement in Equity – our share		
Opening balance	**2,467**	**1,251**
Profit for the year	3,710	1,834
Translation reserve	(840)	(618)
Dividend receivable	(1,369)	-
Closing balance	**3,968**	**2,467**

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 is as follows:

- Mining - incorporates the acquisition, exploration and development of gold resources.
- Reconciling items include non-mineral exploration costs and transactions between Group and associate companies.

	2018			2017		
	Mining £'000	Other reconciling items £'000	Group £'000	Mining £'000	Other reconciling items £'000	Group £'000
Administrative costs	–	(1,355)	(1,355)	–	(1,311)	(1,311)
General and specific exploration expenditure	(334)	–	(334)	(392)	–	(392)
(Loss)/profit on disposal of available for sale investments	(2)	–	(2)	117	–	117
Share of profit in Joint Venture	3,710	–	3,710	1,834	–	1,834
Investment income	–	158	158	–	176	176
Taxation	–	–	–	–	–	-
Profit after taxation	3,374	(1,197)	2,177	1,559	(1,135)	424
Assets						
Segment assets	23,523	614	24,137	23,076	838	23,914
Liabilities						
Segment liabilities	(3,966)	(207)	(4,173)	(3,976)	(213)	(4,189)
Additions to segment assets						
Intangible assets	369	–	369	412	–	412
Property plant & equipment	36	–	36	20	–	20
Depreciation	–	(1)	(1)	–	(1)	(1)

Geographical segments

The Group's mining assets and liabilities are located primarily in Turkey.

	2018			2017		
	Turkey £'000	United Kingdom £'000	Group £'000	Turkey £'000	United Kingdom £'000	Group £'000
Carrying amount of segment non-current assets	20,584	720	21,304	21,058	670	21,728

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2018

7. Taxation

	2018 £'000	2017 £'000
(a) Current tax expense in respect of the current year	-	-

The charge for the year can be reconciled to the profit per the statement of comprehensive income as follows:

	2018 £'000	2017 £'000
Profit before tax	2,177	424
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2017: 19.25%)	413	81
Effect of tax on share of Joint Venture profit	(704)	(352)
Disallowable expenses and other adjustments	58	-
Effect of different tax rates and laws of subsidiaries operating in other jurisdictions	(8)	(8)
Losses to carry forward	241	279
Tax charge	-	-

The Group has UK losses carried forward on which no deferred tax asset is recognised in the financial statements as the recovery of this benefit is dependent on future profitability, the timing of which cannot be reasonably foreseen. Total UK losses carried forward amount to £10,104,000 (2017: £9,087,000).

Turkish tax losses carried forward at the year end amounted to £128,000 (2017: £125,000). These losses can be carried forward and used to offset future taxable income at rates of 22%, although the Turkish losses expire after five years. Of the total Turkish tax losses £44,000 arose in 2014 and the balance in the subsequent years.

Australian tax losses carried forward at the year end amounted to £251,000 (2017: £63,000) and Dutch tax losses carried forward at the year end amounted to £90,000 (2017: £65,000).

No deferred tax assets have been recognised against the UK, Turkish, Australian and Dutch tax losses as the entities do not have sufficient taxable temporary differences in the year which the losses could be utilised against.

8. Loss of parent company

As permitted by Section 408 of the Companies Act 2006, the statement of comprehensive income of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £907,000 (2017: £876,000).

9. Earnings per share

The calculation of basic profit per share is based on the profit attributable to ordinary shareholders of £2,177,000 (2017: £424,000) divided by the weighted average number of shares in issue during the year being 1,059,677,953 shares (2017: 978,200,347). The weighted-average number of shares for diluted earnings excludes out-of-the-money options and warrants as their effect would be anti-dilutive.

10. Intangible exploration assets

	Deferred exploration expenditure £'000
Cost	
At 1 January 2017	17,965
Additions and capitalised depreciation	412
Exchange movements	(498)
Expenditure written off	(352)
At 31 December 2017	17,527
Additions and capitalised depreciation	369
Exchange movements	(740)
Expenditure written off	(181)
At 31 December 2018	16,975
Net book value	
At 1 January 2017	17,965
At 31 December 2017	17,527
At 31 December 2018	16,975

None of the Group's intangible assets are owned by the Company.

In the year, management has reviewed the recovery of the costs capitalised as intangible exploration assets and determined that £181,000 is not recoverable and hence management had taken the decision to write off these costs.

The technical feasibility and commercial viability of extracting a mineral resource are not yet demonstrable in the above intangible exploration assets. These assets are not amortised, until technical feasibility and commercial viability is established. Intangible exploration costs written off represent costs relating to certain projects that are no longer considered economically viable or where exploration licences have been relinquished.

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2018

11. Land, property, plant & equipment

	Land £'000	Computer equipment £'000	Drilling equipment £'000	Fixtures & fittings £'000	Motor vehicles £'000	Totals £'000
Cost						
At 1 January 2017	214	38	260	39	55	606
Additions	-	4	-	1	15	20
Disposals	-	-	-	-	(6)	(6)
Exchange movements	(32)	(2)	(4)	(3)	(4)	(45)
At 31 December 2017	182	40	256	37	60	575
Additions	-	11	-	13	12	36
Disposals	-	-	-	-	-	-
Exchange movements	(44)	(4)	(5)	(5)	(33)	(91)
At 31 December 2018	138	47	251	45	39	520
Depreciation						
At 1 January 2017	-	31	180	35	41	287
Charge	-	3	11	1	6	21
Disposals	-	-	-	-	(6)	(6)
Exchange movements	-	(2)	(13)	(1)	-	(16)
At 31 December 2017	-	32	178	35	41	286
Charge	-	6	1	4	6	17
Disposals	-	-	-	-	-	-
Exchange movements	-	(5)	(21)	(4)	(31)	(61)
At 31 December 2018	-	33	158	35	16	242
Net book value						
At 1 January 2017	214	7	80	4	14	319
At 31 December 2017	182	8	78	2	19	289
At 31 December 2018	138	14	93	10	23	278

Of the total depreciation expense, £16,000 has been capitalised to intangible exploration assets (2017: £20,000).

12. Equity securities designated as FVOCI

Group and Company	Group £'000	Company £'000
At 1 January 2018	218	63
Disposals	(146)	-
Adjustment to fair value	(26)	(26)
Exchange movements	(11)	(2)
At 31 December 2018	35	35
Net book value		
At 31 December 2018	35	35
At 31 December 2017	218	63

Equity securities designated as FVOCI represent the Group's and the Company`s investment in Royal Road Minerals Limited, a company listed on the Toronto Venture Exchange and this investment is stated at its market value at the year end. In 2017, these assets were classified as available for sale.

As at 31 December 2018, due to changes in the market value of this investment, a fair value loss of £26,000 (2017: £53,000) has been reflected in these accounts.

Additionally, during the year, the Group incurred a loss amounting to £2,000 on the disposal of all of its remaining holding in Novo Litio Limited.

13. Investments in Group undertakings

	Shares in Group undertakings £'000
Company	
At 1 January 2018	274
Additions	63
At 31 December 2018	337

The Company's investments at the balance sheet date comprise ownership of the ordinary share capital of the following companies:

Subsidiaries	Ownership	Country of incorporation	Nature of business	Address
Ariana Exploration & Development Limited	100%	United Kingdom	Exploration	2nd Floor, Regis House, 45 King William Street London, EC4R 9AN
Portswood Resources Limited	100%	British Virgin Islands	Holding company	Kingston Chambers P.O. Box 173 Road Town, Tortola, British Virgin Islands
Galata Madencilik San. ve Tic. Ltd.	100%	Turkey	Exploration	Çankaya Mah. Farabi Sok. 7/5 Çankaya, Ankara, Turkey
Çamyol Gayrimenkul, Madencilik, Turizm, Tarim ve Hayvancilik Ltd.	99%	Turkey	Land acquisition	Çankaya Mah. Farabi Sok. 7/5 Çankaya, Ankara, Turkey

Çamyol Gayrimenkul, Madencilik, Turizm, Tarim ve Hayvancilik Ltd. Is involved with the acquisition of land in the mine development area of the Red Rabbit Gold Project. It is a subsidiary of Galata Madencilik San. ve Tic. Ltd.

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2018

13. Investments in Group undertakings *continued*

Ariana Exploration & Development Limited's investments at the balance sheet date comprise the following companies:

Subsidiaries	Ownership	Country of incorporation	Nature of business	Address
Greater Pontides Exploration B.V.	100%	Netherlands	Holding company	Herengracht 500, 1017 CB Amsterdam, Netherlands
Pontid Madencilik San. ve Tic. Ltd.	100%	Turkey	Exploration	Hilal Mahallesi, Konrad Adenauer Cd. 15A, 06550 Çankaya, Ankara, Turkey
Asgard Metals Pty. Ltd.	100%	Australia	Exploration	10 Wygonda Rd, Roleystone WA 6111, Australia

14. Non-current trade and other receivables

	Group		Company	
	2018 £'000	Restated 2017 £'000	2018 £'000	Restated 2017 £'000
Amounts owed by Group undertakings	–	–	9,749	10,421
Amounts owed by Joint Venture Company	–	1,352	–	-
Other receivables	83	93	–	-
	83	1,445	9,749	10,421

The Directors have reassessed the presentation of Amounts owed by Group undertakings and Amounts owed by Joint Venture Company and reclassified part of the balances to Non-current assets to reflect the expectation the Directors had at 31 December 2017 as to when they would receive the balances.

Other receivables falling due after more than one year represent amounts due from the government of Turkey in respect of VAT relating to the Group's exploration projects.

The amounts owed to the Company by Group undertakings are interest free and repayable on demand.

15. Trade and other receivables

	Group		Company	
	2018 £'000	Restated 2017 £'000	2018 £'000	Restated 2017 £'000
Amounts owed by Joint Venture Company	1,402	677	–	-
Other receivables	442	474	–	-
Prepayments	16	44	–	20
	1,860	1,195	–	20

The Directors have reassessed the presentation of Amounts owed by Group undertakings and Amounts owed by Joint Venture Company and reclassified part of the balances to Non-current assets to reflect the expectation the Directors had at 31 December 2017 as to when they would receive the balances.

The carrying values of trade receivables approximate their fair values because these balances are expected to be cash settled in the near future unless a provision is made.

The loan repayable by the Joint Venture Company has no scheduled repayment terms and is repayable on demand. The loan is subject to quarterly interest charges by Galata Madencilik San. ve Tic. Ltd at a rate of 19.50% p.a. (2017: 9.75% p.a.)

16. Trade and other payables

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Trade and other payables	104	113	-	-
Social security and other taxes	22	28	-	-
Other creditors and advances	10	25	-	-
Accruals and deferred income	113	99	6	6
	249	265	6	6

The above listed payables were all unsecured. Due to the short-term nature of current payables, their carrying values approximates their fair value.

17. Share capital and premium

Allotted, issued and fully paid ordinary 0.1p shares	Number	Ordinary Shares £'000	Deferred shares £'000	Share Premium £'000
In issue at 1 January 2018 and 31 December 2018	1,059,677,953	1,059	4,995	11,821

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

Fully paid Ordinary Shares carry one vote per share and carry the right to dividends. Deferred Shares have attached to them the following rights and restrictions:

- they do not entitle the holders to receive any dividends and distributions;
- they do not entitle the holders to receive notice or to attend or vote at General Meetings of the Company;
- on return of capital on a winding up the holders of the Deferred Shares are only entitled to receive the amount paid up on such shares after the holders of the Ordinary Shares have received the sum of 0.1p for each ordinary share held by them and do not have any other right to participate in the assets of the Company.

Potential issue of ordinary shares

(a) Share options

The Company issued 64,000,000 new options to directors and staff at an exercise price of 1.55 pence, vesting over 3 years, commencing on 1 January 2018. At 31 December 2018 the Company had options outstanding for the issue of ordinary shares as follows:

Date of grant	Exercisable from	Exercisable to	Exercise price	Number granted	Options cancelled during the year	Number at 31 December 2018
Options						
1 January 2018	1 January 2018	31 December 2023	1.55p	64,000,000	-	64,000,000
Total				64,000,000		64,000,000

No options were exercised in the year. The fair value of services received in return for share options are measured by reference to the fair value of share options granted. The fair value of employee share options is measured using the Black-Scholes model. Measurement inputs and assumptions are as follows:

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2018

17. Share capital and premium *continued*

Costs associated with options issued during the year.

	2018
Share price when options issued	1.25p
Expected volatility (based on closing prices over the last 7 years)	67.84%
Expected life	5 years
Risk free rate	0.75%
Expected dividends	0%

The expected volatility is wholly based on the historic volatility (calculated based on the weighted average of the last 7 years of quotation)

The group recognised the following expenses relating to equity settled based payment transactions:-
Staff costs note 2 - £250,000 (2017: £nil).

(b) Share warrants

Date of grant	Exercisable from	Exercisable to	Exercise price	Number granted	Warrants lapsed during the year	Number at 31 December 2018
Warrants						
19 April 2013	19 April 2013	19 April 2018	2p	5,000,000	(5,000,000)	-
4 February 2015	4 February 2015	4 February 2018	1.8p	8,333,333	(8,333,333)	-
7 April 2015	7 April 2015	7 April 2018	1.8p	11,111,111	(11,111,111)	-
30 June 2015	30 June 2015	30 June 2018	1.8p	8,333,333	(8,333,333)	-
Total				32,777,777	(32,777,777)	-

No warrants were exercised in the year.

18. Deferred tax liabilities

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Opening and closing deferred tax liability	2,273	2,273	-	-

Deferred tax has been provided at 17% of the fair value uplift of intangible exploration assets that resulted from the business combination that happened in 2016.

19. Other financial liabilities

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Contingent consideration payable	1,651	1,651	-	-

The consideration above relates to a 2% net smelter returns royalty on the future production revenue at Salinbaş. This liability arose as a result of the business combination as noted in note 18 and will be remeasured at each reporting date and any gain or loss will be charged/(credited) through the income statement.

Given this provision is based on future production revenue, there are uncertainties relating to the timing and amount of this liability (level 3 in the fair value hierarchy).

20. Operating lease arrangements

At the year end, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018	2017
Within one year	16	17

21. Capital commitments

The Group had no authorised or unauthorised capital commitments at the year end (2017: £nil).

22. Related party transactions

Group companies

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

Ariana Resources PLC is the beneficial owner and controls, or is in joint venture with, the following companies and as such are considered related parties:

Ariana Exploration & Development Limited
Portswood Resources Limited
Galata Madencilik San. ve Tic. Ltd.
Zenit Madencilik San. ve Tic. A.S. (Joint Venture)
Çamyol Gayrimenkul, Madencilik, Turizm, Tarim ve Hayvancilik Ltd.
Asgard Metals Pty. Ltd.
Greater Pontides Exploration B.V.
Pontid Madencilik San. ve Tic. Ltd.

The only transactions during the year between the Company and its subsidiaries were intercompany loans, which were interest free and payable on demand and included the following:

Loans payable by Ariana Exploration & Development Limited and Galata Madencilik San. ve Tic. Ltd. to Ariana Resources PLC amounted to £9,735,206 (2017: £10,408,225) and £14,294 (2017: £14,294) respectively.

William Payne is a partner in Wilkins Kennedy, a firm of Accountants that provides his services. During the year end 31 December 2018, Wilkins Kennedy were paid £40,000 (2017: £41,000) in respect of his services as a Director, and £64,000 (2017: £71,070) in respect of accounting and management services. Fees paid for William Payne's services are included as part of Directors emoluments declared in Note 3. At the year end the Group owed Wilkins Kennedy £39,618 (2017: £43,579).

Independent Executive Consultants Limited, a company jointly controlled by Michael de Villiers, charged the Company £130,000 (2017: £169,000 including bonus shares) in respect of his services as a Director.

At 31 December 2018, Kerim Sener had received TL353,792 or £52,756 from Zenit Madencilik San. ve Tic. A.S. for his services as a director of the joint venture subsidiary, in accordance with the Turkish Commercial Code and an Extraordinary General Meeting resolution dated 1 November 2018.

Joint Venture company

Loans payable on demand by Zenit Madencilik San. ve Tic. A.S. to Galata Madencilik San. ve Tic. Ltd. amounted to £1,402,055 (2017: £2,028,585).

Interest receivable has been included under Investment Income in the statement of comprehensive income and amounted to £148,058 (2017: £169,947).

23. Post year end events

None.

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2018

24. Capital management policies and procedures

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern;
- To increase the value of the assets of the business; and
- To provide an adequate return to shareholders in the future when exploration assets are taken into production.

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production and cash flow, either with partners or by our own means.

The Group monitors capital on the basis of the carrying amount of equity, cash and cash equivalents as presented on the face of the consolidated statement of financial position. Movements in capital for the year under review are summarised in Note 17 and in the consolidated statement of changes in equity.

The Group manages its capital structure in response to changes in economic conditions and in accordance with the Group's objective to finance additional work on existing and new projects to enhance their overall value.

In the normal course of its operations, the Group and Company are exposed to gold prices, currency, interest rate and liquidity risk.

The Group and Company use financial instruments, other than derivatives, comprising short term deposits, cash, liquid resources and various items such as sundry debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's and Company's financial instruments are liquidity and currency differences on foreign currency net investments. The Directors review and agree policies for managing these risks and these are summarised below.

Liquidity risk

Liquidity risk is the risk that the Group and Company will not be able to meet its financial obligations as they fall due.
The Group and Company seek to manage financial risk to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Board will seek additional funds from the issue of share capital and warrants where appropriate, by reviewing financial and operational budgets and forecasts. The Group and Company's financial liabilities, including interest bearing liabilities and trade and other payables will all be settled within six months of the year end with the exception of the contingent consideration payable which is not expected to become payable for a period beyond 5 years.

Credit risk

Credit risk is the risk of financial loss to the Group and Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group and Company have borrowings outstanding from its subsidiaries and joint ventures, the ultimate realisation of which depends on the successful exploration and realisation of the Group's intangible exploration assets:

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Trade and other receivables (current)	1,844	1,151	-	-
Trade and other receivables (non-current)	83	1,445	9,749	10,421
	1,927	2,596	9,749	10,421

The concentration of credit risk for trade and other receivables at the balance sheet date by geographic region was:

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
United Kingdom	386	416	9,735	10,407
Turkey	1,539	2,159	14	14
Other	2	21	-	-
	1,927	2,596	9,749	10,421

Market risk

Foreign exchange risk arises due to the Group's and Company's primary operations being in Turkey. The Group and Company have a general policy of not hedging against its exposure of foreign investments in foreign currencies. The Group and Company are exposed to translation and transaction foreign exchange risks and take profits or losses on these as they arise.

	GBP		Turkish Lira		Other		Total	
Group	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Cash and cash equivalents	56	314	812	23	70	436	938	773
Trade and other receivables	400	460	1,458	714	2	21	1,860	1,195
Equity securities at FVOCI/Available for sale financial assets	–	–	–	–	35	218	35	218
Trade and other payables	206	212	29	23	14	30	249	265
Other financial liabilities	1,651	1,651	–	–	–	–	1651	1,651

	GBP		Turkish Lira		Other		Total	
Company	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Cash and cash equivalents	–	–	–	–	–	–	–	–
Trade and other receivables	9,735	10,427	14	14	–	–	9,749	10,441
Equity securities at FVOCI/Available for sale financial assets	–	–	–	–	35	63	35	63
Trade and other payables	6	6	–	–	–	–	6	6
Other financial liabilities	–	–	–	–	–	–	–	–

Sensitivity analysis

Foreign exchange risk arises due to the Group's and Company's primary operations being in Turkey.

A 10% percent weakening of Turkish Lira against the Sterling at the reporting date would have increased / (decreased) equity and profit or loss by £560,000. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

Market risk - Borrowing facilities and interest rate risk

The Group and Company finances its operations primarily through its share of profits from its joint venture investment, and the issue of equity share capital to ensure sufficient cash resources are maintained to meet short-term liabilities and future project development requirements. Cash deposits are kept under regular review, with reference to future expenditure requirements and to maximise interest receivable.

Sensitivity analysis

(a) The Group and Company have limited exposure to changes to Interest rates both locally and in Turkey since the interest accruing on bank deposits was relatively immaterial.

(b) The Group and Company have no interest rate exposure on the loan finance provided during the year as the amounts owed by Group undertakings are interest free.

Market risk – Equity price risk

The Group and Company's exposure to equity price risk arises from its investment in equity securities which are classified as available for sale financial assets and are shown on the balance sheet as available for sale investments (see note 12).

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2018

24. Capital Management Policies and Procedures *continued*

Sensitivity analysis

A 10% percent movement in the market price of available for sale investments would have increased / (decreased) equity and Other Comprehensive income by £3,500. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

Fair values of financial instruments

The fair value of a financial instrument is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Set out below is a comparison by category of carrying amounts and fair values of all the Group's financial instruments:

	Carrying Amount				Fair Value			
	2018 £'000	2018 £'000	2017 £'000	2017 £'000	2018 £'000	2018 £'000	2017 £'000	2017 £'000
	Group	Company	Group	Company	Group	Company	Group	Company
Financial assets								
Cash and cash equivalents	938	Nil	773	Nil	938	Nil	773	Nil
Equity securities at FVOCI/Available for sale financial assets	35	35	218	63	35	35	218	63
Loans and receivables								
Trade and other receivables (current)	1,860	Nil	1,195	20	1,860	Nil	1195	20
Trade and other receivables (non-current)	83	9,749	1,445	10,421	83	9,749	83	10,421
Financial liabilities measured at amortised cost								
Trade and other payables	(249)	(6)	(265)	(6)	(249)	(6)	(265)	(6)
Other financial liabilities (non-current)	(1,651)	Nil	(1,651)	Nil	(1,651)	Nil	(1,651)	Nil

The fair value of trade and other receivables is estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date. For receivables and payables with a remaining life of less than one year, the notional amount is deemed to reflect fair value. All other receivables and payables are, where material, discounted to determine the fair value.

When measuring the fair value of an asset or a liability, the Group and Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Differences arising between the carrying and fair value are considered not significant to adjust for in these accounts. The carrying and fair value of intercompany balances are the same as if they are repayable on demand.

Please note that this document is important and requires your immediate attention. If you are in any doubt as to the action to be taken, please consult an independent adviser immediately. If you have sold or transferred or otherwise intend to sell or transfer all of your holding of ordinary shares in the Company prior to the record date (as described in Note 12) for the Annual General Meeting of the Company on 28 June 2019 at 11.00 a.m., you should send this document, together with the accompanying Form of Proxy, to the (intended) purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was or is to be effected for transmission to the (intended) purchaser or transferee. If you have sold some only of your ordinary shares then please retain this document.

Notice of the 2019 Annual General Meeting of Ariana Resources PLC

Company Number: 05403426

Notice is hereby given that the Annual General Meeting of Ariana Resources PLC (the "Company") will be held at the East India Club, 16 St James's Square, London, SW1Y 4LH on 28 June 2019 at 11.00 a.m. in order to consider and, if thought fit, pass resolutions 1 to 4 as Ordinary Resolutions and Resolution 5 as a Special Resolution:

Ordinary resolutions

1. To receive the Annual Report and Accounts for the year ended 31 December 2018.
2. To re-elect Michael de Villiers who is retiring by rotation under the Articles of Association as a Director of the Company.
3. To re-appoint KPMG LLP as auditors and to authorise the Directors to fix their remuneration.
4. That the directors be generally and unconditionally authorised to allot Relevant Securities (as defined in the notes to this Notice) up to a maximum nominal amount of £500,000 comprising:

   4.1. equity securities (as defined by section 560 of the Companies Act 2016) of ordinary shares of 0.1p each in the capital of the Company ("Ordinary Shares") up to an aggregate nominal amount of £250,000 in connection with an offer by way of a rights issue:

   4.1.1. to holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective holdings; and

   4.1.2. to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

   4.2. in any other case, up to an aggregate nominal amount of £250,000.

Provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the date which is 15 months after the date on which this resolution is passed or, if earlier, the date of the next annual general meeting of the Company save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the directors may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

This resolution revokes and replaces all unexercised authorities previously granted to the directors to allot Relevant Securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

Special resolutions

5. That, subject to the passing of Resolution 4 the Directors be given the general power to allot equity securities (as defined by Section 560 of the 2006 Act) for cash, either pursuant to the authority conferred by Resolution 4 or by way of a sale of treasury shares, as if Section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall be limited to:

   5.1. the allotment of equity securities in connection with an offer by way of a rights issue:

   5.1.1. to the holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and

   5.1.2. to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary, but subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

   5.1.3. the allotment (otherwise than pursuant to paragraph 4.1 above) of equity securities up to an aggregate nominal amount of £250,000.

The power granted by this resolution will unless renewed, varied or revoked by the Company, expire at the conclusion of the next Annual General Meeting of the Company following the date of the passing of this resolution or (if earlier) 15 months from the date of passing this resolution, save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

This resolution revokes and replaces all unexercised powers previously granted to the Directors to allot equity securities as if section 561(1) of the 2006 Act did not apply, but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities.

By Order of the Board dated
4 June 2019

Notes:

1. As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company. You can only appoint a proxy using the procedures set out in these notes.

2. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

3. A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name in the box. If you sign and return this proxy form with no name inserted in the box, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the Chairman and give them the relevant instructions directly.

4. You may not appoint more than one proxy to exercise rights attached to any one share.

5. To direct your proxy how to vote on the resolutions mark the appropriate box with an 'X'. To abstain from voting on a resolution, select the relevant "Vote withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If you give no voting indication, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

6. To appoint a proxy you must ensure that the attached proxy form is completed, signed and sent to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY by no later than 6 p.m. on 26 June 2019.

7. In the case of a member which is a company, the Form of Proxy must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

8. Any power of attorney or any other authority under which this proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

9. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

10. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

11. You may not use any electronic address provided in this proxy form to communicate with the Company for any purposes other than those expressly stated.

12. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the time by which a person must be entered on the register of members in order to have the right to attend and vote at the Annual General Meeting is 11.00 a.m. on 26 June 2019, (being not more than 48 hours prior to the time fixed for the Meeting) or, if the Meeting is adjourned, such time being not more than 48 hours prior to the time fixed for the adjourned meeting. Changes to entries on the register of members after that time will be disregarded in determining the right of any person to attend or vote at the Meeting.

Relevant Securities means:

- Shares in the Company other than shares allotted pursuant to:
- an employee share scheme (as defined by section 1166 of the Act);
- a right to subscribe for shares in the Company where the grant of the right itself constituted a Relevant Security; or
- a right to convert securities into shares in the Company where the grant of the right itself constituted a Relevant Security.
- Any right to subscribe for or to convert any security into shares in the Company other than rights to subscribe for or convert any security into shares allotted pursuant to an employee share scheme (as defined by section 1166 of the Act). References to the allotment of Relevant Securities in the resolution include the grant of such rights.