



PRODUCER - DEVELOPER - EXPLORER

# Contents

<b>Strategic Report</b>	2
Principal Activities	2
Strategy & Business Model	3
2019 Production Highlights	4
Chairman’s Statement	5
Operations Review	8
Financial Review	22
Organisation Review	23
Directors	24
Operational Team	26
Key Performance Indicators	27
Risks & Uncertainties	28
Section 172(1) Statement	31
<hr/>	
<b>Governance</b>	32
Corporate Governance	32
Corporate Responsibility	36
Report of the Directors	38
Independent Auditor’s Report	42
<hr/>	
<b>Financial Statements</b>	46
Annual General Meeting COVID-19 Statement	73
Notice of the 2020 Annual General Meeting of Ariana Resources PLC	74
Advisors	76

# Principal Activities

The principal activities of the Company and its subsidiaries are the exploration and development of precious and technology metals. The primary area of geological focus is the globally significant Tethyan Metallogenic Belt, which spans over 10,000km from central Europe through to the Himalayas and beyond. This metallogenic belt hosts some of the world’s largest gold, silver and copper deposits.

The Company aims to advance mineral resource opportunities both within its primary area of operations in Turkey and across the wider European and Eastern Mediterranean regions, within which the Company has specific expertise. Beyond its primary interest in precious metals, specific opportunities are being evaluated in the context of the demand for mineral resources which contribute toward technological development, energy efficiency and the global decarbonisation agenda.

-  Red Rabbit  
50:50 Joint Venture - Proccea
-  Salinbaş  
100% Ariana owned
-  Kizilçukur & Ivrindi  
100% Ariana owned
-  Magellan & Mariner  
100% Venus Minerals owned  
Ariana earning in to 50%



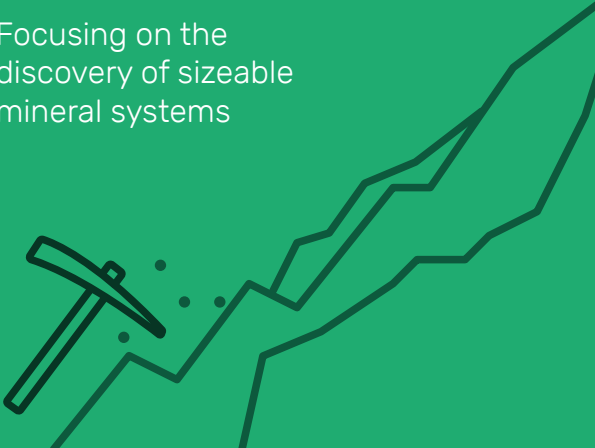
# Strategy & Business Model

*The Company's primary strategy is to achieve sustainable long-term growth of the Company via robust and cost-efficient gold exploration and development.*

This approach has led Ariana to identify, advance and develop projects rapidly, with a discovery cost per ounce of gold that is less than half that of its peers.

The Company plans to achieve its goals 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 and other mineral projects



Executing selective, high-impact exploration programmes and joint venture ('JV') opportunities



Ensuring safe operating procedures and minimising environmental impact



## 2019 Production Highlights

### Total JV Revenue\*

Revenue / US\$

2018

**37.8m**

2019

**45.1m**

*\*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 6, Share of Profit of Interest in JV for further detail.*

Average Cash Costs: **US\$507/oz** per oz FY2019

Average Gold Recovery: **93.7%**

Average Milled Grade: **4.5 g/t Au, 67.9 g/t Ag**

Total Ore Milled: **204,866 tonnes**



## Gold

### Revenue / US\$

2018  
**34.4m**

2019  
**39.2m**

### Production / oz

2018  
**27,110**

2019  
**27,985**

*Production of gold 12% above guidance for 2019.*

## Silver

### Revenue / US\$

2018  
**3.4m**

2019  
**5.9m**

### Production / oz

2018  
**241,616**

2019  
**363,650**

## Chairman's Statement

*Fellow shareholders,*

*I am pleased to report on the Company's audited results for the year ended 31 December 2019. This has been another outstanding year for Ariana, which has delivered production and profitability well above its plans. The Kiziltepe Mine, which is held within Zenit Madencilik San. ve Tic. A.S. (a 50:50 JV with Proccea Construction Co.), achieved gold production of 27,985 ounces, 12% above production guidance at an average cash cost of just US\$507/oz. This, once again, places the Kiziltepe Mine comfortably amongst the lowest-cost gold producers in the world. The profitability from our Turkish operations has enabled Ariana to report a significant improved earnings per share of 0.65 pence and a price earnings ratio of 6, which is a respectable position in the junior gold mining sector.*

Production at the Kiziltepe Mine has remained well above the planned feasibility rates since start-up in 2017, resulting in accelerated depletion of the Arzu South open-pit. Post-period end, this enabled timely completion of repayments against the US\$33 million capital expenditure loan, in addition to the JV partners receiving a return of capital invested and their respective share of profits. This allowed for the payment of a maiden dividend of £1.6 million from our Turkish operating subsidiary to Ariana Resources plc, representing the first profit cash-flow in the Company's history. This places Ariana in a particularly strong position in a time of general uncertainty. We are, therefore, well-placed to deploy our resources to the ongoing development of our existing portfolio of wholly-owned projects in Turkey, particularly Salinbas, as well as our new earn-in on Cyprus-focused Venus Minerals.

At Kiziltepe, resource extension work was completed earlier this year, which is currently targeting an extension of the life of mine to a total of 10 years. In addition, further drilling and resource work is currently being undertaken at Kiziltepe to test down-dip extensions of the Arzu South vein with a view to assessing possible underground or additional open-pit potential. Similar resource extension and other project development work has been completed at Tavsan with a view to bringing this project into production from 2022. Salinbas has also seen extensive work during the year, achieving proof of concept on both the origin and potential extent of this very large mineral system. The area has attracted significant international interest following the spectacular recent drilling results from the nearby Hot Maden project, validating the perceptive decision by Ariana to continue investing in this region.

## Chairman's Statement *continued*

The new year started positively for the Company, with management able to report excellent first quarter production results and guidance for the year well above the feasibility plan. This sound start to the year has, however, been overshadowed by the scale and significance of the COVID-19 pandemic sweeping across the world, touching all of our lives. Having seen, early on in my mining career in Namibia, some of the gruesome consequences of the 1918 Spanish Flu epidemic, I am well aware of the serious impact this could have on both our personal and business lives. The Ariana and Zenit management teams have put in place all the recommended procedures for the well-being and safety of our employees and contractors at both exploration and mining sites, allowing operations to continue unhindered. I must pay tribute to all the people working for Ariana and those at the Kiziltepe Mine for their prompt and no-nonsense approach in adjusting to the required precautionary steps and then just getting on with life. By facing these challenges head on and adopting new working practices we have been able to operate much as we did before. Thus far, we have not had any incidence of COVID-19 in any of our spheres of operations.

The business of mineral exploration is well versed in the process of defining uncertainty and risk and is also adept at managing these factors, evidenced by the way in which both current exploration and mining operations have adapted to this current climate of uncertainty. Our industry has been a long-term adopter of remote work and distributed working teams, and for a while it has been the norm for our work to be carried out in the field on one continent and be collated and analysed on another. Despite international travel restrictions, it is a great credit to our dedicated team that they have been able to carry on with normal work commitments, enabling us to meet all our ongoing work and reporting requirements within a reasonable timeframe. We will continue to review ways we might need to adapt in response to this worldwide crisis in order to mitigate risks and to continue working effectively.

The last financial year has been particularly good for gold but not quite so for silver. As the bulk of Ariana's production revenue (>85%) comes from gold, the lacklustre silver price in response to market sentiment has not had a material impact on overall revenue. Interestingly, the gold-silver ratio has for most of modern history been around 1 to 50, while the current ratio is closer 1 to 100; a marked departure from the norm, which is an indication that the silver price is overdue for a positive correction. The diverse industrial usage of silver is an additional driver for the market price firming, including the requirement for silver in medical and anti-viral/microbial settings. Copper,

while not yet part of our current revenue stream, but part of our exploration portfolio, is also likely to see a price improvement following a post-pandemic price correction. It already has a broad base of demand in the evolving electrification of vehicles and other low-carbon technological developments, but is now being mooted as having anti-viral/microbial uses where it could be applied to frequently touched surfaces. This may well become an industry standard following the experience of our current crisis.

Meanwhile, the long-term trend for gold has been upwards for much of the last two decades and there is little to detract from this trajectory. Increasing levels of global uncertainty, marked differences between the paper and physical prices of precious metals, physical accumulation by hoarders, central banks and exchange-traded funds ('ETFs'), and the expansive nature of government spending will all undoubtedly result in hard currency inflation, all of which support the long-term price of our primary product, gold. Gold is, after all, a currency without a government. Ariana is well placed, both in terms of its balance sheet and its project portfolio of the correct metals, to prosper through the coming years.





With this long-term perspective in mind across our commodities of prime interest, the Company has been exceptionally busy on the exploration and development front during the past year. We have made significant progress across our pipeline of strategic projects in Turkey and for our new earn-in focused on Cyprus. For the latter, we are not alone in recognising the potential of this ancient source of copper, which also appears to host significant and previously unrecognised gold potential. Consequently, Ariana is very well positioned to deploy existing resources and attract other industry partners to contribute to the development of an attractive portfolio of prospective development assets. With the shake-up in the resources sector, it is probable that we will see other industry sectors, such as energy, starting to look at the minerals sector to progress their long-term green development objectives, given that the decarbonisation agenda requires the identification and consumption of substantial mineral resources.

Exploration like all other frontier industries is only as successful as its philosophy will allow it to be. It is on reflection of this that I think of how the legendary geologist J David Lowell, the world's best mine finder, expressed himself. He was noted for saying he was good at being wrong and was never afraid of that. Drilling out a 'duster' was nothing to be afraid of, as the mistake would have been not to try. You had to ignore existing dogma in order to have a chance of success. Above all else he was successful at finding some of the best mines in the world today, over one of the longest careers in our industry. It is particularly poignant that such a legendary man should pass at the ripe old age

of 92 in the very year that we need such courage and inspiration. I think that we should all take a leaf out of his book as we step out into this changed new world to find the materials we need to build our future.

Like all companies, Ariana exists for the benefit of its stakeholders and in particular its shareholders, who must be rewarded through increasing market capitalisation and a potential dividend stream. Your Board remains focused on these outcomes and we are particularly pleased to see that the market price of Ariana shares is substantially higher than it was this time last year. The Board would particularly like to thank its shareholders for the close and personal interest you have shown in the Company over the last few years. We appreciate your support and we look forward to meeting you on future occasions. It seems unlikely we will be able to hold face-to-face meetings or the AGM as we have done before, and we are instead looking at participating in virtual events accordingly. Either way, we would like to ask you all to exercise your proxy votes well in advance of the AGM date, as it is unlikely that we will be able to accommodate online voting at this stage. We look forward to the day when we are all able to meet in the same room as before.

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

**Michael de Villiers**  
*Chairman*





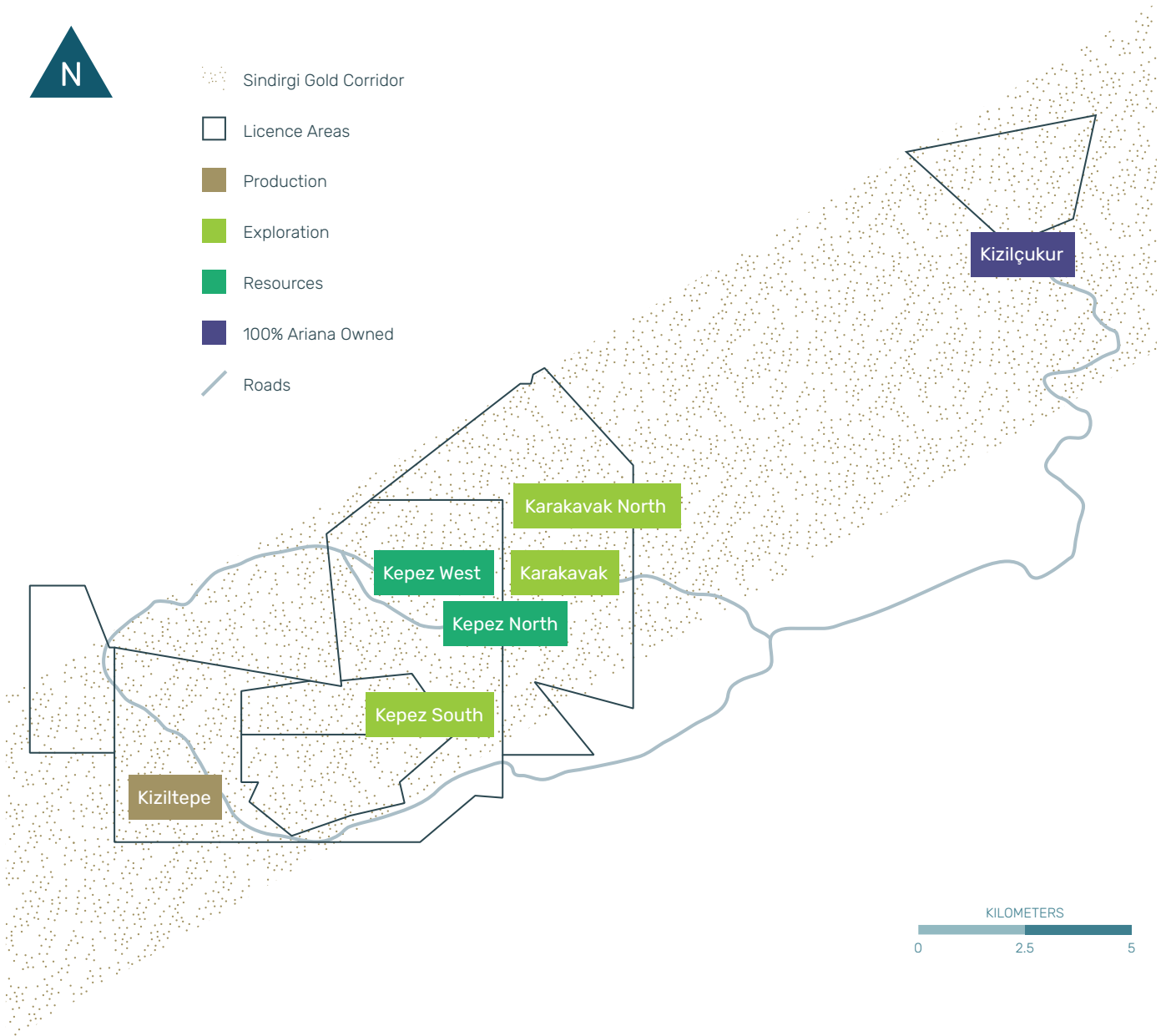
## Operations Review

*The year under review marked an extraordinary period of development for the Company, unlike any other in its history. This development was financed internally from the proceeds of our profitable gold and silver mining operation in western Turkey. Production continued at the Kiziltepe Mine and this was accompanied by an intense period of exploration and development work undertaken across all project areas. In addition, the Company completed its first earn-in agreement into a portfolio of advanced and greenfield projects in Cyprus. The Company remains well-financed for its planned work programmes across all projects.*

As in previous periods, the year ended positively, with forecast production figures reporting 12% over guidance for the period. As at year end, the JV had also repaid close to 90% of the construction capital loan of US\$33m to Turkiye Finans Katilim Bankasi A.S.; post-period end the JV had completed all repayments against this loan. The JV reported total revenue of about US\$45m for 2019 from the Kiziltepe Mine, in contrast with the annual feasibility target of US\$26m. This represents a 75% increase over the target.

Ariana is now one of a handful of junior mining companies on AIM capable of internally financing its operations. We have achieved this success through a combination of low-cost and effective exploration, prudent financial management, strong partnerships and through fostering positive relationships with key stakeholders at all levels, including among local communities and government entities.

## 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. ('Proccea') via a 50:50 JV. The Kiziltepe Mine has produced in excess of 65,555 ounces of gold since production commenced up to the end of Q4 2019, with production guidance of 18,000 ounces of gold provided for 2020. 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 2019)

Gold produced (troy oz)	<b>65,555</b>
Silver produced (troy oz)	<b>670,861</b>
Gross Revenue (US\$'000)	<b>96,910</b>
Average realised gold price (US\$/oz)	<b>1,316</b>
Average revenue per gold ounce (US\$/oz)	<b>1,478*</b>

*\* 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 and Kepez	Tonnes (t)	Grade Au (g/t)	Grade Ag (g/t)	Gold (oz)	Silver (oz)
<b>Main Vein Zones</b>					
Measured	970,000	2.46	43.64	77,000	1,361,000
Indicated	1,044,000	2.54	43.35	77,000	1,377,000
Measured & Indicated	2,014,000	2.51	43.49	154,000	2,738,000
Inferred	1,011,000	2.23	29.58	73,000	961,000
<b>Global Total</b>	<b>3,025,000</b>	<b>2.33</b>	<b>38.03</b>	<b>227,000</b>	<b>3,699,000</b>

Summary 2020 Kiziltepe and Kepez JORC 2012 compliant Mineral Resource Estimate (depleted for mining). Reporting is based on a 1.0 g/t Au cut-off grade. Resource estimate dated 22 April 2020.

Tavşan	Tonnes (t)	Grade Au (g/t)	Grade Ag (g/t)	Gold (oz)	Silver (oz)
Measured	611,000	2.77	4.84	54,000	95,000
Indicated	2,556,000	1.70	5.19	140,000	427,000
Measured & Indicated	3,167,000	1.91	5.12	194,000	522,000
Inferred	1,322,000	1.39	4.72	59,000	201,000
<b>Global Total</b>	<b>4,489,000</b>	<b>1.75</b>	<b>5.01</b>	<b>253,000</b>	<b>723,000</b>

Summary 2020 Tavşan JORC 2012 compliant Mineral Resource Estimate. Reporting is based on a 0.7 g/t Au cut-off grade. Resource estimate dated 8 June 2020.

## 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 an area of 3km by 1.5km containing a series of quartz veins and associated alteration zones hosted by dacitic volcanic rocks. Mining commenced on the Arzu South pit and during 2020 these activities will be shifted gradually to other planned pits. Processing is undertaken using a combined CIL/CIC plant producing a gold-silver doré on site, which is shipped to a refinery in Istanbul. Detailed technical and economic assessments are also being 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 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 included as part of the current mining schedule. Management is confident that this can be achieved, should existing resources be converted to reserves as a result of this ongoing work.



### Kiziltepe 2019 Production Table

Mine Life	<b>c. 6 years remaining</b> (up to 10 years potential)
Cash Costs	
Q1 2019	<b>US\$399</b>
Q2 2019	<b>US\$589</b>
Q3 2019	<b>US\$540</b>
Q4 2019	<b>US\$500</b>
Processing	<b>CIL/CIC</b>
Production Rate (Life of mine average)	<b>20,000 oz Au p.a.</b> (up to c. 25,000 oz Au p.a.)
Global JORC Resource	<b>2.01Mt @ 2.51 g/t Au, 43.49 g/t Ag</b> (Measured, Indicated) <b>1.01Mt @ 2.23 g/t Au, 29.58 g/t Ag</b> (Inferred)*
Payback	<b>100% of construction loan (US\$33 million) repaid on 1 May 2020</b>
Royalty	<b>State Right and 2.5% NSR to Franco-Nevada</b>

\* Resource figures include Reserves. Depleted resource figures are provided on page 11.

## Kepez Prospect

Kepez is located up to 14km haulage distance to the northeast from the Kiziltepe processing plant. It is likely to be the first of the satellite mines to be developed in the periphery of Kiziltepe. 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 was completed in 2018. A revised mineral resource estimate and pit optimisation studies were recently completed.



## Operations Review *continued*

### Tavşan Development Project

The Tavşan Sector is located approximately 75km to the north-east of the Kiziltepe Mine. Gold mineralisation occurs within a jasperoid unit located between ophiolites and limestones. A recent Resource Estimate, completed post-period end, substantially de-risks the project following a material improvement in the size of the resource and its classification, with 77% of the resource in Measured and Indicated categories. The new estimate has enabled the JV to proceed with the completion of its Feasibility Study and EIA, without further resource drilling. The JV is targeting the development of Tavşan as a heap-leach project in parallel with the Kiziltepe Mine, within the broader context of the Red Rabbit Joint Venture. Further work is required to be completed on the Feasibility Study and EIA, which the JV is completing in-house, along with associated permitting.

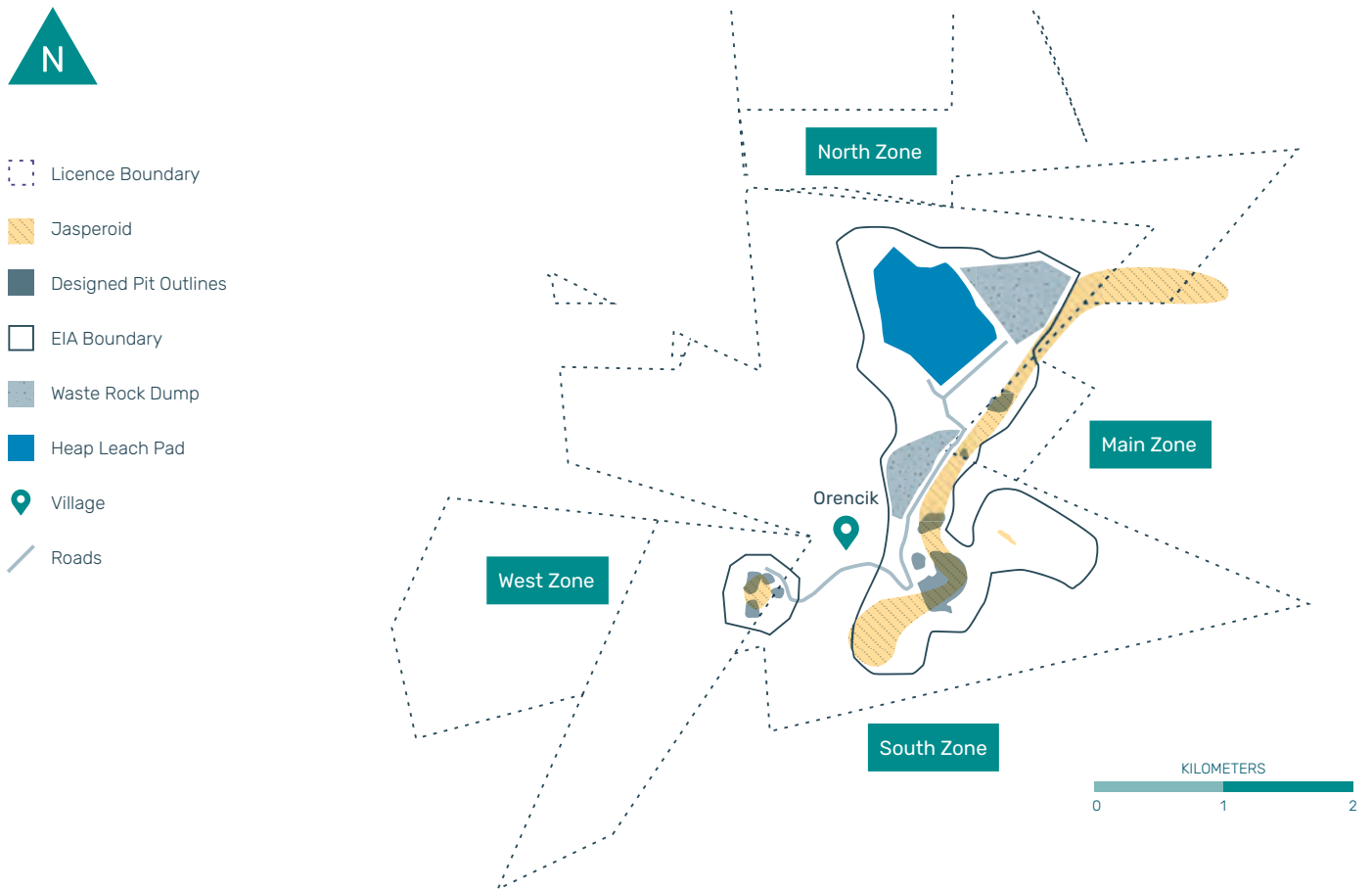


### Scoping Study Summary

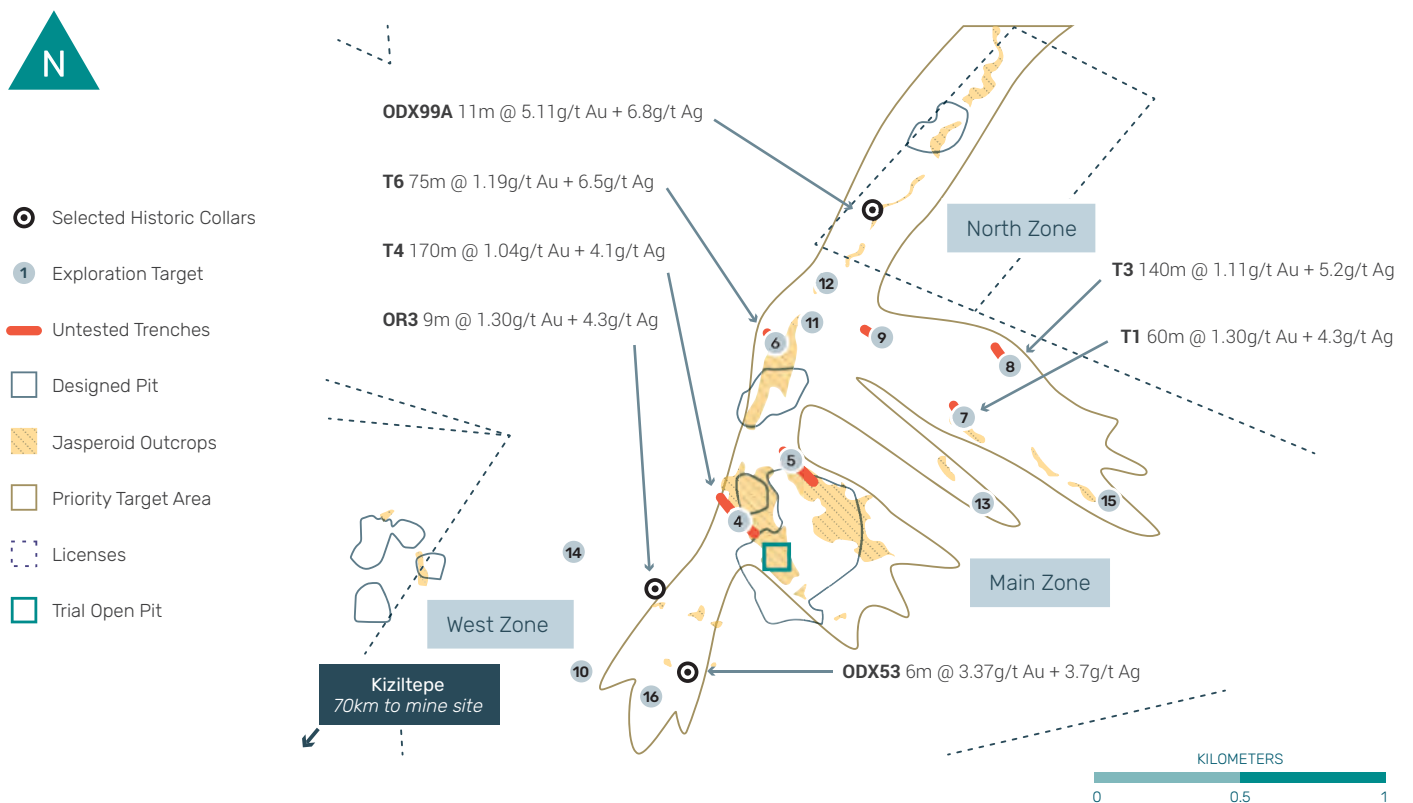
Mine Life	<b>6 years</b> (based on revised resources)
Cash Costs	<b>US\$630/oz</b>
Processing	<b>Heap Leach</b>
Production Rate	<b>30,000 oz Au p.a.</b>
Global JORC Resource	<b>4.0Mt @ 1.3g/t Au, 4.5g/t Ag</b> (Measured, Indicated & Inferred)
In-pit Grade	<b>1.6 g/t Au, 3.0 g/t Ag</b>
Net Present Value	<b>US\$42 million*</b>
Internal Rate of Return	<b>80%*</b>
Payback	<b>1.1 years on US\$20 million initial capital*</b>
Royalty	<b>State Right and 2% NSR to Sandstorm Gold</b>

\*Pre-tax base case at US\$1,250/oz for gold as at November 2016 (completed by Auralia Mining Consulting).

## TAVŞAN SITE PLAN



## TAVŞAN EXPLORATION UPSIDE





## Operations Review *continued*

### Other Projects

#### Kizilçukur Development Project

The Kizilçukur Project is located 25km to the north-east 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 resource estimation and scoping study for Kizilçukur highlights the potential for the project to become a satellite source of ore for the Kiziltepe Mine, providing for at least a further year of mine life. Metallurgical test work 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. Current plans involve the bulk trial-processing of Kizilçukur material at the Kiziltepe processing plant. Under the terms of the JV agreement with Proccea, Kizilçukur can be sold into the JV at three times the exploration cost.

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

Classification	Tonnes (t)	Grade Au (g/t)	Grade Ag (g/t)	Gold (oz)	Silver (oz)
Measured	130,511	2.79	84.11	12,000	353,000
Indicated	87,805	2.60	69.01	7,000	195,000
Measured & Indicated	<b>218,317</b>	<b>2.72</b>	<b>78.04</b>	<b>19,000</b>	<b>548,000</b>
Inferred	37,344	1.75	57.31	2,000	69,000
<b>Global Total</b>	<b>255,660</b>	<b>2.57</b>	<b>75.01</b>	<b>21,000</b>	<b>617,000</b>

*Summary 2020 Kizilçukur JORC 2012 compliant Mineral Resource Estimate. Reporting is based on a 1.0 g/t Au cut-off grade. Resource estimate dated 9 May 2020.*

#### Ivrindi Exploration Project

The Ivrindi Project is located 70km to the north-west 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 analyses. While this zone will need to be tested further, this discovery has indicated the potential to grow the resource at Ivrindi substantially. Metallurgical test work demonstrates that the Ivrindi ore responds well to the leach conditions utilised within the Kiziltepe processing plant, with high gold recoveries ranging from c. 85% to 91%. Ivrindi is envisaged as a satellite to the Kiziltepe operations, though remains at an earlier stage in its development compared with other projects. The Company is working towards developing Ivrindi to a point at which it may be sold to the RRGP joint venture.

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



## Operations Review *continued*

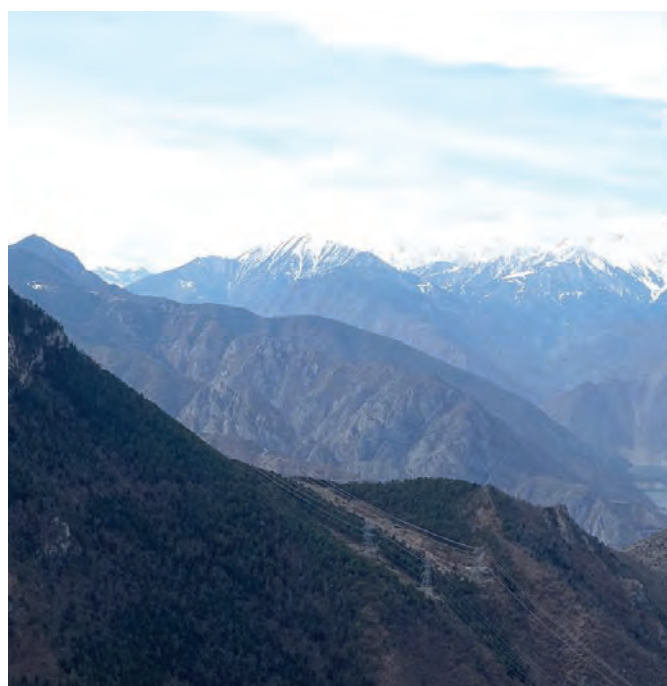
### Salinbaş Exploration Project

The Salinbaş Project is located in north-eastern Turkey and is wholly owned by the Company. The project represents a transition in mineralisation styles from porphyry to epithermal, including skarnoid replacement in a variety of host rocks in the vicinity of the intrusions. 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 as a result of the exploration and development work conducted during recent years. In 2019, fifteen Reverse Circulation ('RC') drill holes were completed and this work is informing further resource modelling and estimation work.

During 2018, a JORC Exploration Target of up to 2.7Moz gold and 16.1Moz silver was established for the project, in addition to current 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 deposit), which likely feed in to the Salinbaş gold-silver zone.

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, recent work continues to reaffirm

the understanding that the Ardala 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.

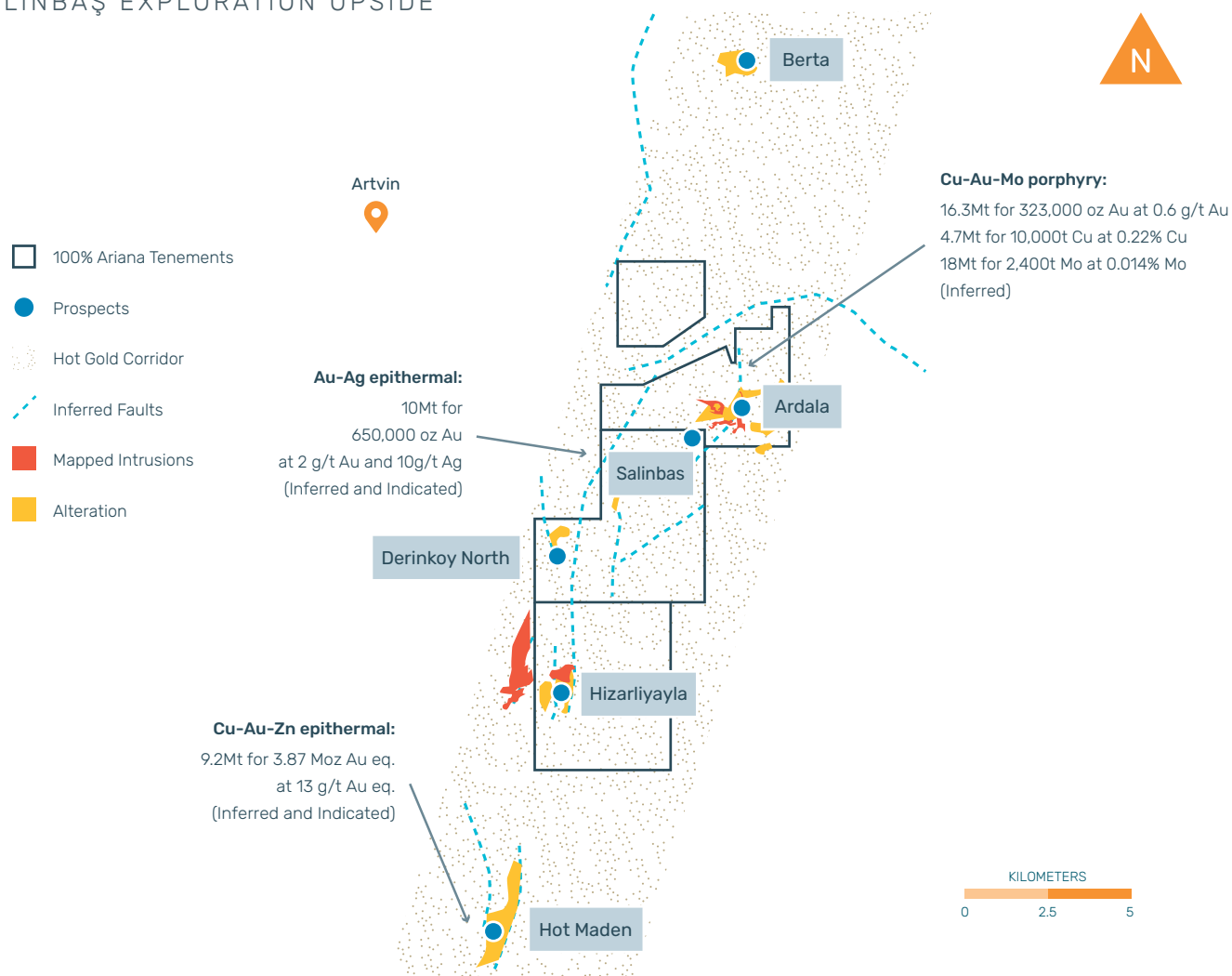


### Scoping Study Summary

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

\*Pre-tax base case at US\$1,250/oz for gold as at April 2015 (completed by Auralia Mining Consulting).

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)
<b>Salinbaş<sup>1</sup></b>					
Indicated	2,290,000	2.10	11.90	156,000	878,000
Inferred	7,760,000	2.00	9.70	493,000	2,396,000
Zone	Tonnes (t)	Grade (g/t)	Metal <sup>2</sup>	Metal (t)	Gold (oz)
<b>Ardala</b>					
Inferred	16,270,000	0.60	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*

## Investments



### VENUS MINERALS

#### Venus Minerals Ltd

Ariana is acquiring up to 50% of UK-registered Venus Minerals Ltd ('Venus') via an earn-in agreement completed in Q4 2019. Venus is a Cyprus-based exploration company which is developing Volcanogenic Massive Sulphide ('VMS') copper-gold deposits in the ophiolite terranes of south-eastern Europe, principally the Troodos Ophiolite in Cyprus. Venus has been active in Cyprus for more than 15 years. During this time, it has secured a substantial exploration portfolio, ranging from brownfield properties with demonstrated resources at Kokkinoyia and Klirou, to grass roots projects displaying the hallmarks of highly prospective VMS deposits. As at year end, Ariana is required to spend a further 2.4 million Euro to earn into its full entitlement of 50%.



### ASGARD METALS

#### Asgard Metals Pty Ltd

Asgard is a 100%-owned Australian subsidiary of Ariana Resources, which was established to focus on technology-commodity opportunities globally. Projects hosting metals utilised in renewable-energy applications, such as antimony and lithium, are being reviewed. Such commodities are potential economic game-changers for a growing global population driven towards green-energy platforms. Asgard originally held interests in several lithium pegmatite projects in Western Australia and the Northern Territory and vended these into two separate ASX-listed companies, Dakota Minerals Ltd and Kingston Resources Ltd. Asgard remains well-financed and on the look-out for new opportunities in the technology-metals space which could be developed in conjunction with experienced partners.



## Outlook

During 2019, Ariana consolidated its position as a sustainable mineral exploration and development enterprise. This has established a solid platform on which Ariana can develop its strategy, which is all the more important given the current global challenges.

We have started 2020 facing several new and unexpected circumstances. The developing trade-war between the USA and China, coupled with decadal lows in the oil price, have now been compounded by the COVID-19 virus pandemic originating in China. At the time of writing, the pandemic has sadly had a significant cost in human lives and is creating a profound global economic shock in its wake.

Factories in China, which are attempting to gear-up following a reduction in output in the early phase of the pandemic, are now producing for a market that no longer exists; the rest of the world economy is in the process of severe contraction. As the consumer-producer dynamic becomes strained, supply lines are becoming choked. Meanwhile, to try and save the day, governments are scrambling to apply a band-aid to systemic problems with an obscenely leveraged and derivatives driven global financial system based on the US dollar.

What this will mean for commodity markets and producers is, as yet, unknown. However, as a gold producer, we are expecting that demand for the ultimate form of money will continue unabated. Unlike paper money, gold does not represent debt (a consequence of fractional-reserve banking), it presents no counterparty risk and acts as the only real hedge against inflation in the long term. It is no surprise that central banks around the world, particularly those which wish to maintain some resilience and independence outside of the US dollar denominated global order (including Turkey), have been buying gold in ever increasing amounts during recent years. In fact, central bank gold purchases in 2018 and 2019 were at 50-year highs as part of this effort to spread risks away from the US dollar, with some 650 tons of gold added to central bank reserves in 2019. Consequently, we are in the fortunate position of producing the only commodity which represents the ultimate final form of payment for the international banking system. Whatever the headwinds, this financial demand will remain.



Operationally we are well-positioned to take advantage of these unusual circumstances. Despite the current crisis, we have been fortunate in the commitment of our staff in the UK and Turkey at a time when families and communities have been under great strain. We have also seen a very supportive approach to our business at both local and national government levels in Turkey. Our JV operation at Kiziltepe is continuing to produce gold and silver at high margins due to the low-cost operating environment. This has resulted in sufficient cashflow to satisfy our operational requirements and has created opportunities to diversify and make new investments, such as Venus Minerals. Our portfolio of assets and investments represents projects at every stage of a self-sustaining investment cycle, which we have spent the past 15 years developing methodically as part of our long-term strategy. In addition to an operating mine, this includes near-term development assets, a major large-scale exploration asset, and is supported by both current and nascent investments.

We are a unique exploration and development company, with a strategy geared toward longevity, sustainability and the growth of value in the long-term, which is ultimately underpinned and driven by our exploration success. At the beginning of a new and uncertain decade, we look forward to the future and remain resolved on delivering upon the immutable certainty of pure gold.

**Dr Kerim Sener**  
*Managing Director*

## Financial Review

The Group's profit after tax grew by more than threefold in the year under review rising to £6.9m (2018: £2.2m) primarily due to the excellent operational performance of our Joint Venture investment in Zenit. This company's turnover grew by 21% reflecting the favourable movement in the gold price and increased production year on year, with their profits after tax rising from £7.4m to £15.8m, our 50% share of which amounted to £7.9m (2018: £3.7m). The year's performance also benefited from the disposal of our Kiziltepe property owning subsidiary, Camyol, being sold to Zenit at a book profit of £0.6m. The Directors are confident that Zenit will continue to finance the Group's operations for the foreseeable future through dividends declared and paid over the course of the year.

Aside from the performance of Zenit, the results are generally consistent with the prior year, with administrative costs slightly improved at £1.2m, and net exploration costs written off also broadly consistent amounting to £0.4m (2018: £0.3m). The effect of the declining value of the Turkish Lira on the underlying value of our subsidiaries in Turkey is £0.4m better than the previous year, but still a significant cost reflected through Other Comprehensive Income at £1.8m. Nonetheless, our earnings per share has shown a very healthy increase from 0.21 pence per share in 2018 to 0.65 pence per share in 2019.

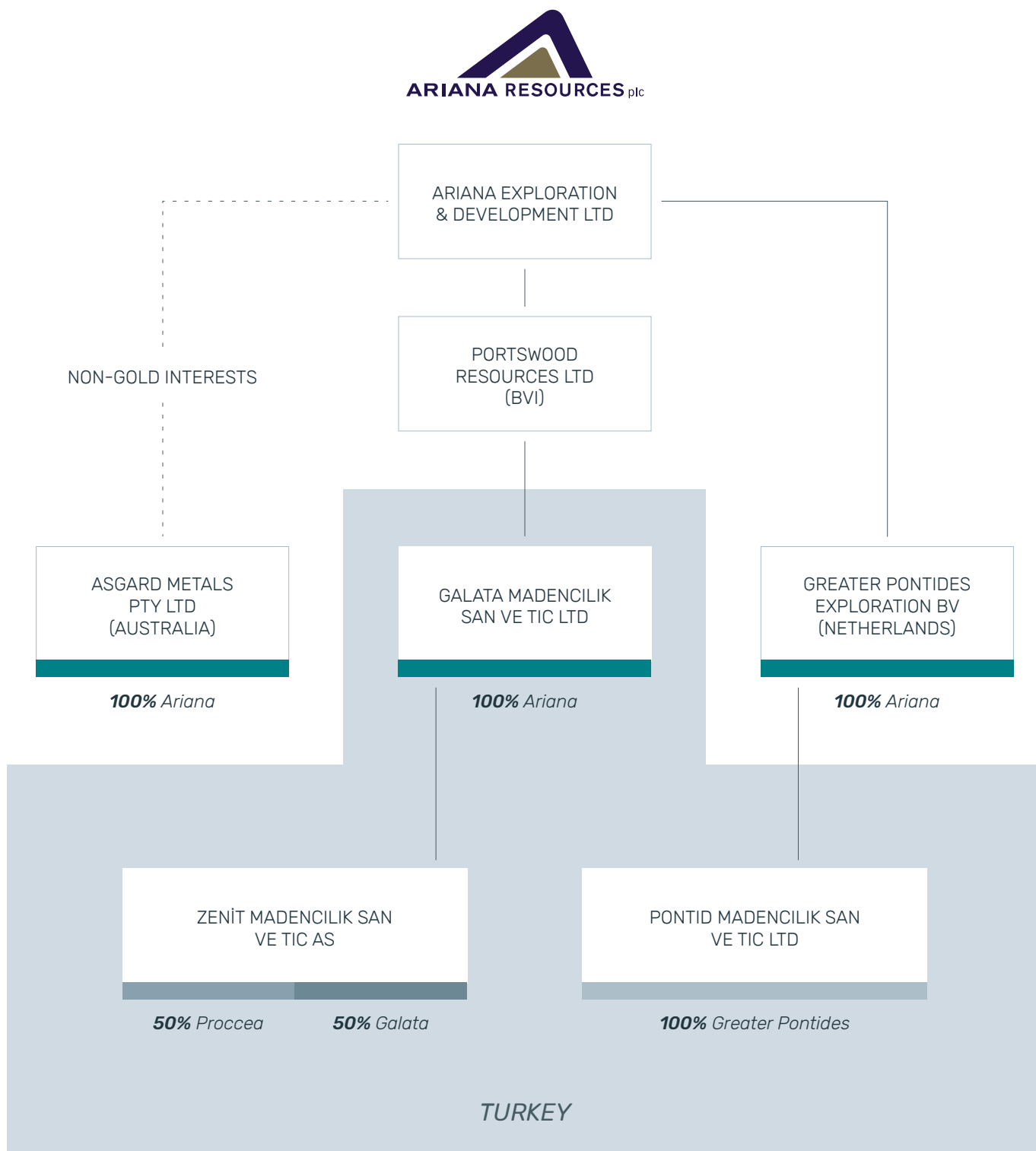
Our net assets as recorded in the Statement of Financial Position have increased by £5.3m primarily on account of our share of the net assets of Zenit increasing by £3.8m. The company also capitalised a further £0.5m of expenditure within Intangible exploration assets, being our Turkish exploration work, as well as incurring a further £0.5m of expenditure included within debtors on our Cypriot project, ahead of it being converted into shares under our earn in agreement with Venus Minerals Limited in May 2020.

Overall this was a very satisfactory year for the Group from a financial perspective, and we look forward to building on these foundations to enhance our performance for our shareholders going forward.



**Dr Kerim Sener**  
*Managing Director*

# Organisation Review



Note: Simplified organisational structure.  
Ownership structures as at 27 July 2020.





## 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 over 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 LSE-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 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

### Fatma Yildiz *BSc (Hons)* General Manager

Fatma is a Turkish national and has 12 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 in 2004. 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.

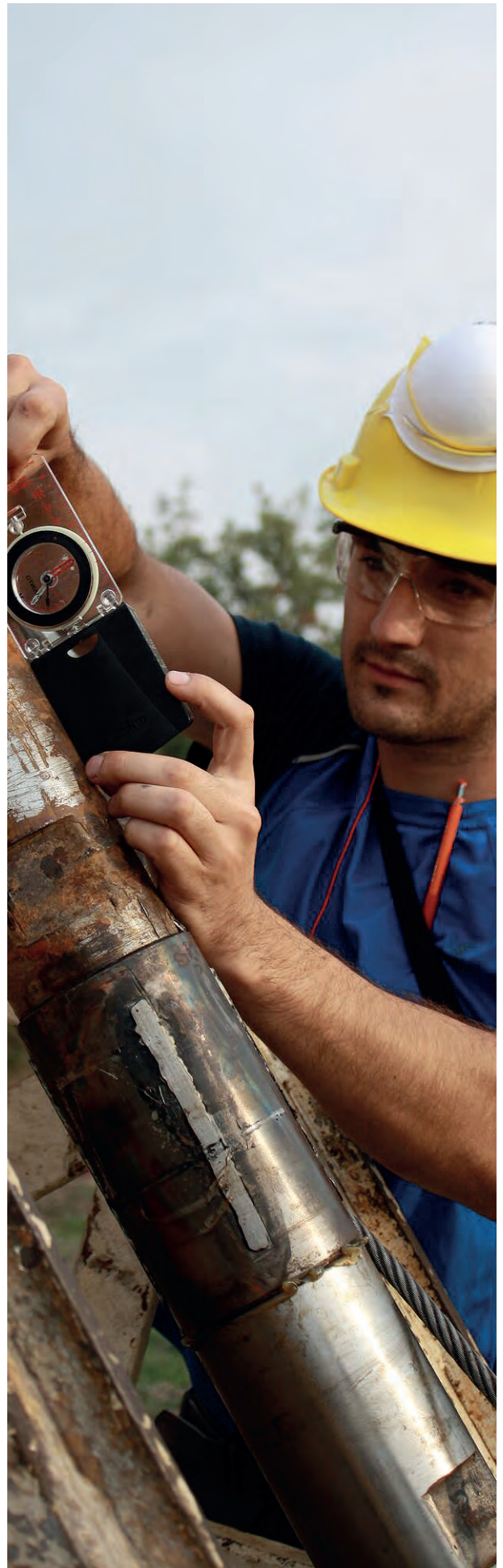
**He is a member of the Society of Economic Geologists, a board member of the Mining Geologists Association and a member of the Chamber of Geological Engineers in Turkey. He holds a IHAO drone pilot qualification in Turkey.**

### 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.**

Our full team can be viewed at [arianaresources.com](http://arianaresources.com)



# Key Performance Indicators

## Financial KPIs

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

## Operational KPIs

<b>Operational Success</b>	Increasing JORC compliant resources and progressing Red Rabbit Gold Project through development and into production.
<b>Advance Portfolio</b>	Through acquisition or discovery of new exploration properties utilising on-going exploration to target new ground.
<b>Environmental, Health &amp; Safety</b>	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
<b>Production risk</b>	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.
<b>Exploration and development risk</b>	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.
<b>Partner risk</b>	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.
<b>Political / in-country risk</b>	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.



## Risks & Uncertainties *continued*

Risk	Description	Mitigation
<b>Environmental / safety risk</b>	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.
<b>Commodity risk</b>	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.
<b>Financing risk</b>	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.
<b>Foreign currency risk</b>	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 operations through the cash flow generated from its share of profits from our investment in our Turkish gold mining company. On receipt of funds by the Group in Turkey in Lira, surpluses after local operating costs are then generally transferred by way of dividend to the UK as Pounds Sterling. The Group maintains the majority of its cash in Pounds Sterling and continues to monitor relevant currency movements and considers action where appropriate.
<b>COVID-19 risk</b>	The recent escalation in the spread of COVID-19 worldwide poses a threat to the continuation of business operations if a widespread infection were to occur at the Kiziltepe Mine. Government guidance on the pandemic in the UK and Turkey is being kept under review. Risk mitigation procedures were implemented rapidly and well-ahead of government guidance, to ensure safe working practices were maintained for Ariana staff and staff working at the Kiziltepe Mine site.	Staff have been supportive of these new methods of working and have adapted quickly to them.



## Section 172(1) Statement - Promotion of the Company for the benefit of the members as a whole

The Directors believe they have acted in the way most likely to promote the success of the Company for the benefit of its members as a whole, as required by s172 of the Companies Act 2006.

The requirements of s172 are for the Directors to:

- Consider the likely consequences of any decision in the long term;
- Act fairly between the members of the Company;
- Maintain a reputation for high standards of business conduct;
- Consider the interests of the Company's employees;
- Foster the Company's relationships with suppliers, customers and others; and
- Consider the impact of the Company's operations on the community and the environment.

The application of the s172 requirements can be demonstrated in relation to the some of the key decisions made during 2019:

- Continuing evaluation of existing license areas and assessment of projects;
- Undertaking pre-feasibility studies as part of the operating licence process;
- Identifying and refining both new and previously defined drill targets;
- Further identification of drill targets across projects whether held within the joint venture or not;
- Completion of diamond and Reverse Circulation drill programmes at various projects;
- Commencement of resource estimation for the projects in accordance with JORC reporting standards; and
- Continued assessment of corporate overheads, expenditure levels and wider market conditions.

As a mining exploration and development Group operating primarily in Turkey, the Board takes seriously its ethical responsibilities to the communities and environment in which it works. We abide by the local and relevant UK laws on anti-corruption and bribery. Wherever possible, local communities are engaged in the geological operations and support functions required for field operations, providing much needed employment and wider economic benefits to the local communities. In addition, we follow international best practice on environmental aspects of our work. Our goal is to meet or exceed standards, in order to ensure we maintain our social licence to operate from the communities with which we interact. The interests of our employees are a primary consideration for the Board. Personal development opportunities are supported and a health and security support network is in place to assist with any issues that may arise on field expeditions.



# 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. For example, all employees of the Company participate in a structured Company-wide annual assessment process which is designed

to ensure that there is an open and confidential dialogue with each person in the Company to help ensure successful two way communication with agreement on goals, targets and aspirations of the employee and the Company. These feedback processes help to ensure that the Company can respond to new issues and opportunities that arise to further the success of employees and the Company

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 are designed to minimise any potential 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 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 28-29 of the Strategic Report.

The following risk assessment matrix sets out those risks, and identifies their ownership and the controls that are in place. This matrix is updated as changes arise in the nature of risks or the controls that are implemented to mitigate them. The Audit Committee reviews the risk matrix and the effectiveness of scenario testing on a regular basis. The following principal risks and controls to mitigate them, have been identified:

Activity	Risk	Impact	Control(s)
Operation	Injury to staff	Injury to staff whilst operating heavy machinery in remote location	Creating a safe working environment through strict procedures and regular training
Regulatory adherence	Breach of rules	Censure or withdrawal of authorisation	Strong compliance regime instilled at all levels of the Company
Strategic	Market downturn	Change in Macro economic conditions	Ongoing monitoring of economic events and markets.
	Failure to deliver commercially	Inability to operate efficiently and economically	Active operational monitoring and experienced management
Financial	Misappropriation of funds	Fraudulent activity and loss of funds	Robust financial controls and segregation of duties
	IT security	Loss of critical financial data	Regular back up of data online and locally

The Directors have established procedures, as represented by this statement, for the purpose of providing a system of internal control. An internal audit function is not considered necessary or practical due to the size of the Company and the close day to day control exercised by the executive Director. However, the Board will continue to monitor the need for an internal audit function. The Board works closely with and has regular ongoing dialogue with the outsourced finance function and has established appropriate reporting and control mechanisms to ensure the effectiveness of its control systems.

The outbreak of the recent global COVID-19 virus has resulted in increased risks within the global economy. The extent of the effect of the virus, including its long-term impact, remains uncertain and the Company continues to monitor the situation while adopting the recommended precautions to ensure the safety of employees.

## 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, having been appointed in 2016 and since having acted in a primary technical capacity. 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 can put their name forward for re-election.

The executive director dedicates 100% of his 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 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 2019. Generally, no individual director is absent for more than one board meeting during any given year. The Board has three sub-committees: the Audit Committee, Remuneration Committee and Sustainability Committee. Governance and Nominations are dealt with by the entire Board. The Company shall report annually on the number of Board and committee meetings held during the year and the attendance record of individual Directors. In order to be efficient, the Directors meet formally and informally both in person and by telephone.

## Corporate Governance *continued*

### 5. A well-functioning Board of Directors *continued*

Details of the Directors' attendance at formal quarterly board meetings are set out below:

	Meetings Attended	Meetings eligible to attend
Kerim Sener	4	4
Michael de Villiers	4	4
William Payne	4	4
Chris Sangster	4	4

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.

### 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 pages 24-25.

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.

Where necessary the Board has engaged external professional consultants on an ongoing basis to ensure the Company is meeting its strategies. The key advisers to the Company are set out on page 76.

The Board engages external geologists, environmental specialists and a number of other specialised

consultants to produce the required surveys and reports for the Environmental Impact Assessment, Social Impact Assessment and Pre-Feasibility Study. The key advisers to the Group were 76.

The Board have ensured that the all external advisers are knowledgeable and provide the required skillset.

### 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, BVI 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.

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 Remuneration 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

*Chris Sangster and Michael de Villiers*

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 through 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 underestimated. 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 in the Corporate Governance section.

### 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 2019*

The Directors present their report with the audited financial statements of the Company and the Group for the year ended 31 December 2019.

## Principal activity

Ariana Resources PLC (the "Company") is a public limited company incorporated and domiciled in Great Britain. The address of its registered office and principal place of business is 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 2019 in the ordinary issued share capital and options of the Company were as follows:

	2019 Ordinary Shares	2019 Share Options	2018 Ordinary Shares	2018 Share Options
M J de Villiers	54,845,000	17,000,000	54,845,000	17,000,000
A K Sener	19,564,252	19,000,000	19,564,252	19,000,000
W J B Payne	9,359,314	4,000,000	9,359,314	4,000,000
C J S Sangster	3,716,844	4,000,000	3,716,844	4,000,000
<b>Total</b>	<b>87,485,410</b>	<b>44,00,000</b>	<b>87,485,410</b>	<b>44,000,000</b>

Further details on share options can be found in note 18 to the financial statements.

## Annual General Meeting (AGM)

### COVID-19 ARRANGEMENTS – PLEASE READ CAREFULLY

The Board takes its responsibility to safeguard the health of its shareholders, stakeholders and employees very seriously and so the following measures will be put in place for the AGM in response to the COVID-19 pandemic and the current social distancing measures being implemented by the Government in the United Kingdom, which may continue until after the date of the AGM.

The formal business of the Annual General Meeting will only be to consider and vote upon the resolutions set out in the notice of meeting. Based on current measures implemented by the Government in the United Kingdom shareholders will not be admitted to the physical meeting and are therefore advised not to travel to the AGM. It is intended that the meeting will be held with the minimum number of shareholders and directors present required to form a quorum as per the Company's Articles of Association. In line with corporate governance best practice and in order that any proxy votes of those shareholders who are not allowed to attend and to vote in person are fully reflected in the voting on the resolutions, the Chairman of the meeting will direct that voting on all resolutions set out in the notice of meeting will take place by way of a poll. Shareholders wishing to vote on any matters of business are strongly urged to do so through registering their proxy appointment and voting by proxy online and to appoint the Chairman of the Meeting as your proxy. This will enable the Chairman of the Meeting to vote on your behalf, and in accordance with your instructions, at the AGM. The final poll vote on each resolution will be published immediately after the AGM on the Company's website.

## 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 authorities 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.

A special resolution will also be proposed to allow that the Company's Articles of Association be replaced in their entirety with the draft new Articles of Association which have been updated to allow new forms of company meetings to be held as physical meeting, virtual meetings, or a combination of the two.

## Substantial share interests

The Company had been notified of the following interests in the Company's shares held on 16 July 2020.

Shareholder	Ordinary Shares	% of Issued Share Capital
Hargreaves Lansdown Nominees Limited	195,418,346	18.44%
Barclays Direct Investing Nominees Limited	132,638,608	12.52%
Interactive Investor Services Nominees Limited	83,103,448	7.84%
Mr Michael de Villiers	54,845,000	5.18%
Share Nominees Ltd	54,792,413	5.17%
Jim Nominees Limited	45,969,900	4.34%
HSDL Nominees Limited	37,025,290	3.49%
Steve Bingham	34,450,000	3.25%

## 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;
- Disclosures required by s172 of the Companies Act 2006;
- Future developments of the business.

## The Impact of COVID-19 on the Group

Since March 2020, the Board has made preparations to mitigate the impact of COVID-19 on the business through several action plans and mitigation strategies. These will continue to be monitored and updated as required.

## The Impact of Brexit on the Group

The Board has considered the extent of challenges to its business model and operations arising from the withdrawal of the United Kingdom from the European Union ("Brexit"). The Board does not envisage Brexit having a significant impact on the Group, based on operations and cash flow generating elements of the business residing outside the EU. The Group is sensitive to foreign currency movements and details of this risk, and mitigation thereof, are outlined within the Strategic Report on page 29.

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 2019 (2018: £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 a transaction, to ensure suppliers are aware of those terms and to abide by them. Trade creditor days based on creditors at 31 December 2019 were 30 days (2018: 30 days).

## Political and charitable contributions

During the year, the Group made a charitable donation of £3,000 to the University of Exeter towards the Richard Osman Memorial Fund. The Group has committed to supporting this charitable fund until 2022.

No contributions were made for political purposes.



# Report of the Directors

*For the year ended 31 December 2019*

## 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 financial statements.

## Post year end events

Further details on post balance sheet events can be found in note 25 to the financial statements.

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

The Directors are responsible for preparing the Annual Report, Strategic Report, the Directors' Report and the 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 that law they have elected to prepare both the group and the parent company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

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.

The Company is compliant with AIM Rule 26 regarding the Company's website.

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, 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 Director(s). 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 Director 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 Director 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 PKF Littlejohn LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board.



**Michael de Villiers**  
*Company Secretary*

# Independent Auditor's Report

*To the members of Ariana Resources PLC*

## Opinion

We have audited the financial statements of Ariana Resources plc (the parent company) and its subsidiaries (the group) for the year ended 31 December 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 2019 and of the group's profit and parent company's loss for the year then ended;
- The group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- The parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Emphasis of matter

We draw your attention to note 1 of the financial statements, which describes the directors of the group and parent company's assessment of the COVID-19 impact on its ability to continue as a going concern. The directors have explained that the events arising from the COVID-19 outbreak do not impact the group's use of the going concern basis of preparation nor do they cast significant doubt about the group's and parent company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our opinion is not modified in this respect.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Our application of materiality

The materiality applied to the group financial statements was £490,000 based on thresholds of 2% of net assets. The performance materiality for the group was £294,000. The net asset benchmark was concluded as most relevant to shareholders and investors for an exploration and evaluation group where the operating mine is held in a joint venture which is equity accounted.

The materiality applied to the parent company financial statements was £93,000 based on a threshold of 1% of gross assets. The performance materiality of the parent company was £55,800. The gross asset benchmark was concluded as most relevant to shareholders and investors for a non-trading parent undertaking.

Whilst materiality for the group financial statements as a whole was set at £490,000, component materiality for the joint venture was set at £430,000 based upon 3% of the average of profit before tax and net assets. Performance materiality was set at 60%. Component materiality for the subsidiary undertakings ranged between £116,900 and £294,000.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £24,500 and £4,650 for the group and parent company respectively, in addition to other identified misstatements that warranted reporting on qualitative grounds.

### **An overview of the scope of the audit**

In designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at areas involving significant accounting estimates and judgement by the directors and considered future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

The accounting records of the parent company and all subsidiary undertakings are centrally located and audited by us based upon materiality or risk. The

key audit matters addressed, and how these were addressed are outlined below. The Turkish registered joint venture company was audited by a component auditor under our instruction. The group audit team instructed the component auditor as to the significant risk areas to be covered and determined component materiality. There was regular interaction with the component auditor during all stages of the audit.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, 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.

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## **Key Audit Matter**

### **Valuation and recoverability of intangible exploration assets (refer note 11).**

The carrying value of intangible exploration assets as at 31 December 2019 is £16,404,000 (2018: £16,975,000) which represents 56% (2018: 70%) of the group's total assets. Exploration and evaluation assets comprise costs associated with early stage licenses through to advanced exploration projects.

These carrying values are tested annually for impairment. Determining whether impairment indicators exist involves significant judgement by management, including considering specific impairment indicators prescribed in IFRS 6.

## **How the scope of our audit responded to the key audit matter**

Our work included but was not restricted to:

- A review of the Group's exploration licences and permits to confirm good title and standing.
  - We reviewed and discussed management's assessment of impairment in accordance with the requirements of IFRS 6. We discussed with management the scope of their future budgeted and planned expenditure on the licence areas, together with a review of subsequent events.
  - We performed an independent assessment to identify any indicators of impairment.
  - We reviewed independently prepared reports and resource estimates, including an assessment of the competence and objectivity of the preparer.
  - We assessed the appropriateness of the Group's disclosure in respect of the judgement on whether impairment indicators exist (refer note 1).
-

# Independent Auditor's Report

To the members of Ariana Resources PLC

## Key Audit Matter

### Equity accounting for joint venture entity Zenit Madencilik San ve Tic Ltd ("Zenit") (refer note 6).

The investment in joint venture has a carrying value at 31 December 2019 of £7,768,000 (2018: £3,968,000). The Group's share of profit during the year ended 31 December 2019 amounted to £7,891,000 (2018: £3,710,000).

The accuracy of equity accounting for the joint venture is directly reliant on the accuracy of the financial statements of Zenit which contain a number of risk areas.

## How the scope of our audit responded to the key audit matter

Our work included but was not restricted to:

- We instructed, monitored and reviewed the component auditor working papers. Revenue recognition, recoverability of mining assets, inventory valuation and compliance with laws and regulations were among the areas designated as significant or identified risks.
- We checked and agreed the GAAP transition adjustments between the local jurisdiction financial statements and the group accounting framework.
- We checked the joint venture had been correctly equity accounted for, including the adequacy of disclosures, in the financial statements.

## Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

### Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the group and parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group and parent company financial statements, the directors are responsible for assessing the group's and the 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 the directors either intend to liquidate the group or parent Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

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.

### David Thompson *(Senior Statutory Auditor)*

for and on behalf of PKF Littlejohn LLP  
 Statutory Auditor  
 15 Westferry Circus  
 Canary Wharf  
 London  
 E14 4HD  
 27 July 2020

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
<b>Continuing operations</b>			
Administrative costs		(1,242)	(1,355)
General exploration expenditure		(18)	(153)
Intangible exploration assets - written off	11	(364)	(181)
Other gains	4	627	-
Other income		61	-
<b>Operating loss</b>	<b>5</b>	<b>(936)</b>	<b>(1,689)</b>
Profit/(loss) on disposal of equity securities at FVOCI	13	20	(2)
Share of profit of Joint Venture accounted for using the equity method	6	7,891	3,710
Investment income		5	158
<b>Profit before tax</b>		<b>6,980</b>	<b>2,177</b>
Taxation	8	(46)	-
<b>Profit for the year from continuing operations</b>		<b>6,934</b>	<b>2,177</b>
Earnings per share (pence) attributable to equity holders of the company			
Basic and diluted	10	0.65	0.21
<b>Other comprehensive income</b>			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(1,774)	(2,162)
<i>Items that will not be classified subsequently to profit or loss:</i>			
Net change in fair value of equity securities at FVOCI	13	49	(26)
<b>Other comprehensive loss for the year net of income tax</b>		<b>(1,725)</b>	<b>(2,188)</b>
<b>Total comprehensive profit/(loss) for the year</b>		<b>5,209</b>	<b>(11)</b>

The accompanying notes form part of these financial statements.

# Consolidated Statement of Financial Position

For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Trade and other receivables	15	93	83
Intangible exploration assets	11a	16,404	16,975
Intangible assets	11b	187	-
Land, property, plant and equipment	12	50	278
Investment in Joint Venture accounted for using the equity method	6	7,768	3,968
<b>Total non-current assets</b>		<b>24,502</b>	<b>21,304</b>
<b>Current assets</b>			
Trade and other receivables	16	4,574	1,860
Equity securities at FVOCI	13	-	35
Cash and cash equivalents		453	938
<b>Total current assets</b>		<b>5,027</b>	<b>2,833</b>
<b>Total assets</b>		<b>29,529</b>	<b>24,137</b>
<b>Equity</b>			
Called up share capital	18	6,054	6,054
Share premium	18	11,821	11,821
Other reserves		720	720
Share based payments	18	364	250
Translation reserve		(5,970)	(4,196)
Retained earnings		12,298	5,315
<b>Total equity attributable to equity holders of the parent</b>		<b>25,287</b>	<b>19,964</b>
<b>Total equity</b>		<b>25,287</b>	<b>19,964</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	19	2,273	2,273
Other financial liabilities	20	1,651	1,651
<b>Total non-current liabilities</b>		<b>3,924</b>	<b>3,924</b>
<b>Current liabilities</b>			
Trade and other payables	17	318	249
<b>Total current liabilities</b>		<b>318</b>	<b>249</b>
<b>Total equity and liabilities</b>		<b>29,529</b>	<b>24,137</b>

The financial statements were approved by the Board of Directors and authorised for issue on 27 July 2020. They were signed on its behalf by:

**M J de Villiers**  
Chairman



**A.K.Sener**  
Managing Director



The accompanying notes form part of these financial statements.



# Company Statement of Financial Position

For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Trade and other receivables	15	8,508	9,749
Investments in group undertakings	14	365	337
<b>Total non-current assets</b>		<b>8,873</b>	<b>10,086</b>
<b>Current assets</b>			
Trade and other receivables	16	534	-
Equity securities at FVOCI	13	-	35
Cash and cash equivalents		-	-
<b>Total current assets</b>		<b>534</b>	<b>35</b>
<b>Total assets</b>		<b>9,407</b>	<b>10,121</b>
<b>Equity</b>			
Called up share capital	18	6,054	6,054
Share premium	18	11,821	11,821
Share based payments reserve	18	364	250
Retained earnings		(8,838)	(8,010)
<b>Total equity</b>		<b>9,401</b>	<b>10,115</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	17	6	6
<b>Total current liabilities</b>		<b>6</b>	<b>6</b>
<b>Total equity and liabilities</b>		<b>9,407</b>	<b>10,121</b>
<b>Company's loss for the financial year</b>		<b>828</b>	<b>907</b>

The financial statements were approved by the Board of Directors and authorised for issue on 27 July 2020.  
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 2019

	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
<b>Changes in equity to 31 December 2018</b>							
Balance at 1 January 2018	6,054	11,821	720	93	(2,034)	3,071	19,725
Profit for the year	-	-	-	-	-	2,177	2,177
Other comprehensive income	-	-	-	-	(2,162)	(26)	(2,188)
<b>Total comprehensive income</b>	-	-	-	-	<b>(2,162)</b>	<b>2,151</b>	<b>(11)</b>
Share options	-	-	-	250	-	-	250
Transfer of share options	-	-	-	(93)	-	93	-
<b>Transactions with owners</b>	-	-	-	<b>157</b>	-	<b>93</b>	<b>250</b>
<b>Balance at 31 December 2018</b>	<b>6,054</b>	<b>11,821</b>	<b>720</b>	<b>250</b>	<b>(4,196)</b>	<b>5,315</b>	<b>19,964</b>
<b>Changes in equity to 31 December 2019</b>							
Profit for the year	-	-	-	-	-	6,934	6,934
Other comprehensive income	-	-	-	-	(1,774)	49	(1,725)
<b>Total comprehensive income</b>	-	-	-	-	<b>(1,774)</b>	<b>6,983</b>	<b>5,209</b>
Share options	-	-	-	114	-	-	114
<b>Transactions with owners</b>	-	-	-	<b>114</b>	-	-	<b>114</b>
<b>Balance at 31 December 2019</b>	<b>6,054</b>	<b>11,821</b>	<b>720</b>	<b>364</b>	<b>(5,970)</b>	<b>12,298</b>	<b>25,287</b>

The accompanying notes form part of these financial statements.

# Company Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital £'000	Share premium £'000	Share based payments reserve £'000	Retained earnings £'000	Total £'000
<b>Changes in equity to 31 December 2018</b>					
<b>Balance at 1 January 2018</b>	6,054	11,821	93	(7,196)	10,772
Loss for the year	-	-	-	(907)	(907)
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	<b>(907)</b>	<b>(907)</b>
Share options	-	-	250	-	250
Transfer of share options	-	-	(93)	93	-
<b>Transactions with owners</b>	-	-	<b>157</b>	<b>93</b>	<b>250</b>
<b>Balance at 31 December 2018</b>	<b>6,054</b>	<b>11,821</b>	<b>250</b>	<b>(8,010)</b>	<b>10,115</b>
<b>Changes in equity to 31 December 2019</b>					
Loss for the year	-	-	-	(828)	(828)
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	<b>(828)</b>	<b>(828)</b>
Share options	-	-	114	-	114
<b>Transactions with owners</b>	-	-	<b>114</b>	-	<b>114</b>
<b>Balance at 31 December 2019</b>	<b>6,054</b>	<b>11,821</b>	<b>364</b>	<b>(8,838)</b>	<b>9,401</b>

## Company statement of cash flows

For the year ended 31 December 2019

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 2018.

The accompanying notes form part of these financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 £'000	2018 £'000
<b>Cash flows from operating activities</b>		
Profit for the year	6,934	2,177
Adjustments for:		
Profit on disposal of land owning operations	(627)	-
(Profit)/loss on disposal of equity securities at FVOCI	(20)	2
(Profit) on disposal of equipment	(53)	-
Depreciation of non-current assets	20	1
Write down of intangible exploration assets	364	181
Fair value adjustments	(49)	26
Share of profit in Joint Venture	(7,891)	(3,710)
Share based payments charge	114	250
Investment income	(5)	(158)
Income tax expense	46	-
<b>Movement in working capital</b>	(1,167)	(1,231)
Decrease in trade and other receivables	918	183
Increase/(decrease) in trade and other payables	253	(49)
<b>Cash outflow from operating activities</b>	4	(1,097)
Taxation paid	(8)	-
<b>Net cash from operating activities</b>	<b>(4)</b>	<b>(1,097)</b>
<b>Cash flows from investing activities</b>		
Purchase of land, property, plant and equipment	(12)	(36)
Payments for intangible assets	(516)	(353)
Proceeds from disposal of equity securities at FVOCI	104	146
Proceeds from disposal of equipment	55	-
Dividends from Joint Venture	-	1,369
Investment income	5	158
<b>Net cash used in investing activities</b>	<b>(364)</b>	<b>1,284</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(368)</b>	<b>187</b>
Cash and cash equivalents at beginning of year	938	773
Exchange adjustment on cash and cash equivalents	(117)	(22)
<b>Cash and cash equivalents at end of year</b>	<b>453</b>	<b>938</b>

The accompanying notes form part of these financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 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 2019.

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 financial assets at FVOCI) and the accounting policies have been applied consistently throughout the period.

### 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 £453,000 (2018: £938,000). Since the year end the Group has received the outstanding consideration owed for the sale of its land owning subsidiary and the part repayment of a loan from Zenit, amounting in total to £3.3m.

The Directors have prepared cash flow forecasts for the Group for the period to 31 July 2021 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 Madencilik 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, in order to assist the Group to meet its financial obligations as they fall due.

If this 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.

The Group believes there should be no significant material disruption to the mining operations in Zenit from COVID-19, but the Board continues to monitor these risks and Zenit's business continuity plans.

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

(a) New and amended standards mandatory for the first time for the financial periods beginning on or after 1 January 2019.

As of 1 January 2019, the Company adopted IFRS 16 Leases, Amendments to IFRS 2 – classification and measurement of share based payments transactions, Annual improvements to IFRS Standards 2015–2017 cycle and IFRIC 23 Uncertainty over income tax treatments.

### IFRS 16 Adoption

The Group has applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

Of the other IFRSs and IFRICs, none have had a material effect on the Group and Company financial statements.

(b) New standards, amendments and Interpretations that are not yet effective and have not been early adopted are as follows:

Standards/interpretations	Application	Effective
IAS 1 & IAS 8 amendments.	Definition of Material	*1 January 2020
IFRS 3 amendments.	Business Combinations	* 1 January 2020
IAS 1 amendments.	Classification of Liabilities as Current or Non-Current	*1 January 2022

\*subject to EU endorsement

The Group is evaluating the impact of the new and amended standards above which are not expected to have a material impact on the Group's results or shareholders' funds statements.

### Basis of consolidation

The consolidated financial statements comprise the financial statements of Ariana Resources PLC and its subsidiaries for the year ended 31 December 2019.

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 purchase 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 to bring the accounting policies used into line with those used by other members of the Group. All significant intercompany transactions and balances 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 less impairment losses.

### Foreign currency translation

#### Functional and presentational 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.

#### 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.

# Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2019

## 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.

## Land, property, plant and equipment

Land, 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.

## Intangible assets

Intangible assets include expenditure on software and databases acquired to develop the Group's geological expertise. Assets within this category that have a finite useful life are amortised over 20 years.

## 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 where available or in accordance with the impairment indicators listed in IFRS 6 where projects are not advanced enough to have discounted cash flow forecasts.

## Equity securities designated as at FVOCI

At 1 January 2019, the Group designated investments in equity securities at FVOCI because these equity securities represent investments that the Group intended to hold for the long term for strategic purposes.

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 Statement of Financial Position 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 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 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.

### 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 any discount 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 2019. 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.

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 2019. 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.



# Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2019

## 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 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 one licence Kiziltepe West area is pending conversion to operational status at the General Directorate of Mining and Petroleum Affairs ("MAPEG"); a process expected to be concluded in 2020. Ivrandi received its operational licence renewal during 2020.

## 2. Staff costs

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Wages and salaries	305	336	288	315
Social security costs	36	31	32	27
Share based payments (option scheme)	114	250	85	187
Pension contributions	35	16	33	16
	490	635	438	545

Total staff costs, including those capitalised within intangible assets, amounts to £771,000 (2018: £856,000). The average monthly number of employees (including Executive Directors) during the year was as follows:

	2019 Group Number	2018 Group Number
Exploration activities	12	10
Administration	5	5
	17	15

The only employees within the Company in the current and previous year were the directors.

## 3. Directors' emoluments

	2019 £'000	2018 £'000
Short term incentives		
Basic salary and fees	342	360
Pension contributions	33	17
	375	377

Key management personnel consist of only the Directors. Details of share options and interests in the Company's shares of each Director are highlighted in the Directors' Report on page 39.

	Year	Salary & fees £'000	Pension £'000	Total £'000
Michael de Villiers	2019	132	10	142
	2018	130	-	130
Kerim Sener	2019	115	23	138
	2018	150	16	166
William Payne	2019	40	-	40
	2018	40	-	40
Christopher Sangster	2019	55	1	56
	2018	40	1	41

William Payne's services are provided by a firm of Accountants, further details of which are set out in Note 24.

#### 4. Other gains

The group entered into a sale agreement to dispose of its 99%-owned subsidiary, Çamyol Gayrimenkul, Madencilik, Turizm, Tarım ve Hayvancılık Ltd ("Camyol"). Camyol carried out a significant part of the Group's land purchases prior to the commencement of construction of the Kiziltepe Mine.

The disposal was effected in order that all freehold land pertaining to the Kiziltepe Mine is owned directly by the operating company, Zenit Madencilik San ve Tic AS ("Zenit") and in order to release cash to Galata Madencilik San. ve Tic. Ltd for advancement of the Group's other exploration projects in Turkey. The disposal was completed on 31 December 2019, on which date full control of Camyol passed to Zenit, for a consideration of 6,200,000 Turkish Lira. Settlement of this transaction was completed in full during 2020.

	2019 £'000
<b>(a) Profit on disposal of land owning operations</b>	
Trading loss on operations for the year	(1)
Translation reserve transferred to statement of comprehensive income	23
Exchange loss on revaluation of Intercompany loan	(217)
Profit on disposal of subsidiary (5b)	822
	627
<b>(b) Profit on disposal of subsidiary</b>	
At the time of the disposal of the Group's subsidiary, Camyol, the carrying amount of its assets and liabilities were as follows:	
	2019 £'000
<i>Non-current assets</i>	
Land	119
<i>Current assets</i>	
Trade receivables	1
Cash at bank	4
<i>Current liabilities</i>	
Trade payables	(115)
<i>Net assets derecognised</i>	9
Consideration receivable on disposal	(831)
<i>Profit on disposal of subsidiary</i>	822

#### 5. Operating loss

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

	2019 £'000	2018 £'000
Depreciation and amortisation – owned assets	20	1
Other income – disposal of drilling equipment and other miscellaneous income.	(61)	-
Write down of Intangible exploration assets	364	181
Net foreign exchange losses	144	96
Fees payable to the Company's auditor for the audit of the Group's and Company's annual accounts	50	65
Fees payable to the Company's auditor for other services:		
– The audit of the Company's subsidiaries	20	28.5

# Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2019

## 6. 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% to 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\$45.1m (2018: US\$37.8 m) in gold and silver sales.

The liability of the Joint Venture includes current and non-current portions of a bank loan repayable to Türkiye Finans Katılım Bankası 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 2019 the Group has a 50% (2018: 50%) interest in Zenit. Ultimately profits from Zenit are shared in the ratio of 50:50 between the Group and Proccea.

Principal place of business for Zenit is Ankara, Turkey. Zenit was also incorporated in Ankara, Turkey.

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:

<b>Statement of Comprehensive Income For the year ended 31 December 2019</b>	2019 £'000	2018 £'000
<b>Revenue</b>	<b>35,337</b>	<b>29,254</b>
Cost of sales	(15,444)	(13,548)
<b>Gross Profit</b>	<b>19,893</b>	<b>15,706</b>
Administrative expenses	(1,636)	(969)
<b>Operating profit</b>	<b>18,257</b>	<b>14,737</b>
Finance expenses including foreign exchange losses	(4,762)	(12,196)
Finance income including foreign exchange gains	2,667	4,552
<b>Profit before tax</b>	<b>16,162</b>	<b>7,093</b>
Taxation charge/(credit)	(380)	327
<b>Profit for the year</b>	<b>15,782</b>	<b>7,420</b>
Proportion of the Group's profit share	50%	50%
<b>Group's share of profit for the year</b>	<b>7,891</b>	<b>3,710</b>

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

<b>Statement of financial position As at 31 December 2019</b>	2019 £'000	2018 £'000
<b>Assets</b>		
<b>Non-current assets</b>		
Other receivables	440	513
Intangible exploration assets	837	370
Kiziltepe Gold Mine (including capitalised mining costs, land, property, plant and equipment)	23,275	24,538
<b>Total non-current assets</b>	<b>24,552</b>	<b>25,421</b>
<b>Current assets</b>		
Cash and cash equivalents	7,184	3,570
Trade and other receivables	752	1,098
Inventories	1,745	1,474
Other receivables, VAT and prepayments	2,187	1,074
<b>Total current assets</b>	<b>11,868</b>	<b>7,216</b>
<b>Total assets</b>	<b>36,420</b>	<b>32,637</b>
<b>Liabilities</b>		
Non-current liabilities		
Borrowings	3,241	8,959
Asset retirement obligation	1,000	978
<b>Total non-current liabilities</b>	<b>4,241</b>	<b>9,937</b>
<b>Current liabilities</b>		
Borrowings	5,776	9,272
Trade payables	1,883	2,081
Other payables (including shareholder loans)	8,984	3,411
<b>Total current liabilities</b>	<b>16,643</b>	<b>14,764</b>
<b>Total liabilities</b>	<b>20,884</b>	<b>24,701</b>
<b>Equity</b>	15,536	7,936
Proportion of the Group's profit share	50%	50%
<b>Carrying amount of investment in Joint Venture</b>	<b>7,768</b>	<b>3,968</b>
<b>Movement in Equity – our share</b>		
<b>Opening balance</b>	<b>3,968</b>	<b>2,467</b>
Profit for the year	7,891	3,710
Translation and other reserves	(1,049)	(840)
Dividend receivable	(3,042)	(1,369)
<b>Closing balance</b>	<b>7,768</b>	<b>3,968</b>

# Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2019

## 7. 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.

	2019			2018		
	Mining £'000	Other reconciling items £'000	Group £'000	Mining £'000	Other reconciling items £'000	Group £'000
Administrative costs	-	(1,242)	(1,242)	-	(1,355)	(1,355)
General and specific exploration expenditure	(382)	-	(382)	(334)	-	(334)
Profit/(loss) on disposal of investments	-	20	20	(2)	-	(2)
Other gains	627	-	627	-	-	-
Share of profit in Joint Venture	7,891	-	7,891	3,710	-	3,710
Investment and other income	-	66	66	-	158	158
<b>Profit before taxation</b>	<b>8,136</b>	<b>(1,156)</b>	<b>6,980</b>	<b>3,374</b>	<b>(1,197)</b>	<b>2,177</b>
Taxation	(43)	(3)	(46)	-	-	-
<b>Profit after taxation</b>	<b>8,093</b>	<b>(1,159)</b>	<b>6,934</b>	<b>3,374</b>	<b>(1,197)</b>	<b>2,177</b>
<b>Assets</b>						
Segment assets	28,706	823	29,529	23,523	614	24,137
<b>Liabilities</b>						
Segment liabilities	(4,003)	(239)	(4,242)	(3,966)	(207)	(4,173)
<b>Additions to segment assets</b>						
Intangible assets	516	-	516	369	-	369
Property, plant & equipment	32	-	32	36	-	36
Depreciation and amortisation	-	(20)	(20)	-	(1)	(1)

## Geographical segments

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

	2019			2018		
	Turkey £'000	United Kingdom £'000	Group £'000	Turkey £'000	United Kingdom £'000	Group £'000
Carrying amount of segment non-current assets	24,314	188	24,502	20,584	720	21,304

## 8. Taxation

	2019 £'000	2018 £'000
(a) Current tax expense in respect of the current year	46	-

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

	2019 £'000	2018 £'000
Profit before tax – continuing operations	6,980	2,177
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018:19%)	1,326	413
Effect of tax on share of Joint Venture profit	(1,499)	(704)
Disallowable expenses and other adjustments	23	58
Exempt gain on disposal of subsidiary	(137)	-
Effect of different tax rates and laws of subsidiaries operating in other jurisdictions	108	(8)
Losses for the year to carry forward	225	241
Tax charge	46	-

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 £9,313,000 (2018: £10,104,000).

Turkish tax losses carried forward at the year end amounted to £104,000 (2018: £128,000). These losses can be carried forward and used against future taxable income rate at rates of 22%, although the Turkish losses expire after five years.

Australian tax losses have been fully utilised during the year. Dutch tax losses carried forward at the year end amounted to £65,000 (2018: £90,000).

No deferred tax assets had been recognised against the Group's and Company's tax losses as the entities do not have sufficient taxable temporary differences in the year which the losses could be utilised against.

## 9. 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 £828,000 (2018: £907,000).

## 10. Earnings per share on continuing operations

The calculation of basic profit per share is based on the profit attributable to ordinary shareholders of £6,934,000 (2018: £2,177,000) divided by the weighted average number of shares in issue during the year being 1,059,677,953 shares (2018: 1,059,677,953). There is no material effect on the basic earnings per share for the dilution provided by the share options.

# Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2019

## 11a. Intangible exploration assets

	Deferred exploration expenditure £'000
<b>Cost</b>	
At 1 January 2018	17,527
Additions and capitalised depreciation	369
Exchange movements	(740)
Expenditure written off	(181)
<b>At 31 December 2018</b>	<b>16,975</b>
Additions and capitalised depreciation	516
Reclassification of expenditure	(206)
Exchange movements	(517)
Expenditure written off	(364)
<b>At 31 December 2019</b>	<b>16,404</b>
<b>Net book value</b>	
At 1 January 2018	17,527
At 31 December 2018	16,975
<b>At 31 December 2019</b>	<b>16,404</b>

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

On review of the likely recovery of the costs capitalised as intangible exploration assets management has determined that £364,000 (2018: £181,000) is not recoverable and hence written off these costs.

The technical feasibility and commercial viability of extracting a mineral resource are not yet fully 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.

## 11b. Intangible assets

	Software and database expenditure £'000
<b>Cost</b>	
At 1 January 2019	-
Reclassification of expenditure from exploration assets	206
Amortisation charge	(19)
<b>At 31 December 2019</b>	<b>187</b>
<b>Net book value</b>	
At 1 January 2019	-
<b>At 31 December 2019</b>	<b>187</b>

## 12. Land, property, plant & equipment

	Land £'000	Computer equipment £'000	Drilling equipment £'000	Fixtures & fittings £'000	Motor vehicles £'000	Totals £'000
<b>Cost</b>						
At 1 January 2018	182	40	256	37	60	575
Additions	-	11	-	13	12	36
Disposals	-	-	-	-	-	-
Exchange movements	(44)	(4)	(5)	(5)	(33)	(91)
<b>At 31 December 2018</b>	<b>138</b>	<b>47</b>	<b>251</b>	<b>45</b>	<b>39</b>	<b>520</b>
Additions	-	2	26	4	-	32
Disposals	(119)	-	(87)	-	-	(206)
Exchange movements	(19)	(15)	(164)	(15)	(5)	(218)
<b>At 31 December 2019</b>	<b>-</b>	<b>34</b>	<b>26</b>	<b>34</b>	<b>34</b>	<b>128</b>
<b>Depreciation</b>						
At 1 January 2018	-	32	178	35	41	286
Charge	-	6	1	4	6	17
Disposals	-	-	-	-	-	-
Exchange movements	-	(5)	(21)	(4)	(31)	(61)
<b>At 31 December 2018</b>	<b>-</b>	<b>33</b>	<b>158</b>	<b>35</b>	<b>16</b>	<b>242</b>
Charge	-	5	5	4	5	19
Disposals	-	-	(85)	-	-	(85)
Exchange movements	-	(8)	(72)	(16)	(2)	(98)
<b>At 31 December 2019</b>	<b>-</b>	<b>30</b>	<b>6</b>	<b>23</b>	<b>19</b>	<b>78</b>
<b>Net book value</b>						
At 1 January 2018	182	8	78	2	19	289
At 31 December 2018	138	14	93	10	23	278
<b>At 31 December 2019</b>	<b>-</b>	<b>4</b>	<b>20</b>	<b>11</b>	<b>15</b>	<b>50</b>

Of the total depreciation expense, £18,000 has been capitalised to intangible exploration assets (2018: £16,000).



# Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2019

## 13. Equity securities designated as FVOCI

Group and Company	Group £'000	Company £'000
At 1 January 2018	218	63
Adjustment to fair value	(26)	(26)
Disposals	(146)	-
Exchange movement	(11)	(2)
<b>At 31 December 2018</b>	<b>35</b>	<b>35</b>
Adjustment to fair value	49	49
Disposals	(84)	(84)
<b>At 31 December 2019</b>	<b>-</b>	<b>-</b>
<b>Net book value</b>		
At 31 December 2018	35	35
<b>At 31 December 2019</b>	<b>-</b>	<b>-</b>

The Company sold its remaining shares in Royal Road Minerals Ltd during 2019 and hence holds no further investments at the year end.

## 14. Investments in Group undertakings

	Shares in Group undertakings £'000
Company	
At 1 January 2019	337
Additions	28
<b>At 31 December 2019</b>	<b>365</b>

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

**14. 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

**15. Non-current trade and other receivables**

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Amounts owed by Group undertakings	-	-	8,508	9,749
Other receivables	93	83	-	-
	93	83	8,508	9,749

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.

**16. Trade and other receivables**

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Amounts owed by Joint Venture Company	3,383	1,402	-	-
Other receivables	598	442	-	-
Earn-In advances	534	-	534	-
Prepayments	59	16	-	-
	4,574	1,860	534	-

The amount repayable to Galata Madencilik San. ve Tic. Ltd. by the Joint Venture Company ("Zenit") has no scheduled repayment terms and is repayable on demand. The prior year loan amounting to £1,402,000 was settled by Zenit in full during the year. Interest is not charged by Galata Madencilik San. ve Tic. Ltd. on dividends declared, but unpaid by Zenit.

Trade and other receivables include Earn-In advances of £534,000 which relate to Venus Minerals Ltd ("Venus"), an entity focused on the exploration and development of copper and gold on the island of Cyprus. Ariana Resources PLC has the option to acquire up to 50% of Venus through an earn-in agreement, requiring total expenditure of 3.0M Euro over five years. Investment rights continue to accrue as at 31 December 2019 on expenditure of 0.6M Euros. This capital expenditure has been carried forward under other receivables as at 31 December 2019, pending conversion into ordinary shares in Venus (post-period end, in May 2020, total expenditure to date of 0.92M Euros was converted to shares comprising 9.24% of Venus). Additional capital support has been agreed, in principal under the terms of the earn-in agreement, by the Board of up to a further 2.08M Euros over the next three years. Ariana has the option to cease funding unilaterally at any point in time but is committed under the terms of the earn-in agreement to a minimum expenditure per annum of 0.5M Euros during the option exercise period from October 2019 to October 2022, such that the minimum total expenditure commitment is greater than 1.0M Euros.

The carrying values of other receivables approximate their fair values because these balances are expected to be cash settled in the near future.

# Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2019

## 17. Trade and other payables

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade and other payables	109	104	-	-
Social security and other taxes	66	22	-	-
Other creditors and advances	7	10	-	-
Accruals and deferred income	136	113	6	6
	318	249	6	6

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

## 18. Called up share capital and premium

	Number	Ordinary Shares £'000	Deferred shares £'000	Called up Share capital £'000	Share Premium £'000
Allotted, issued and fully paid ordinary 0.1p shares					
In issue at 1 January 2019 and 31 December 2019	1,059,677,953	1,059	4,995	6,054	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

#### 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 2019 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 2019
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:

**18. Called up share capital and premium** *continued***Costs associated with options issued on the 1 January 2018 and exercisable by 2023**

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).

	Group and Company
	2019 £'000
<b>Share based payments reserve</b>	
At 1 January 2019	250
Charge during the year	114
<b>At 31 December 2019</b>	<b>364</b>

As set out in note 2 the Group recognised an expense of £114,000 (2018: £250,000) relating to equity share based payment transactions in the year.

**19. Deferred tax liabilities**

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Opening and closing deferred tax liability	2,273	2,273	-	-

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

**20. Other financial liabilities**

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'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 19 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.

# Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2019

## 21. Operating lease arrangements

Management have completed a detailed assessment of existing operating contracts and have not identified any contracts requiring adjustment on the adoption of IFRS 16 as the operating leases held by the Group are of low value and short-term in nature.

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

	2019	2018
Within one year	16	16

## 22. Capital commitments

The Group had no authorised or unauthorised capital commitments at the year end other than as disclosed in note 16 (2018: £nil).

## 23. Contingent liabilities

Following the disposal of the Group's 99%-owned subsidiary, Çamyol Gayrimenkul, Madencilik, Turizm, Tarim ve Hayvancilik Ltd ("Camyol") 75% of the resulting gain on disposal is exempt from Turkish corporation tax provided the gain is retained under equity by Galata Madencilik San. ve Tic. Ltd. for a period of 5 years. This potentially exempt taxable gain amounts to Turkish Lira 4,529,343 with an associated corporation tax liability of Turkish Lira 996,455, or approximately £137,000.

## 24. 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)  
 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 £8,508,203 (2018: £9,735,206) and £nil (2018: £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 2019, Wilkins Kennedy were paid £40,000 (2018: £40,000) in respect of his services as a Director, and £101,500 (2018: £64,000) 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 £40,451 (2018: £39,618). This remuneration is included as part of his emoluments as disclosed in note 3.

Independent Executive Consultants Limited, a company jointly controlled by Michael de Villiers, charged the Company £37,000 (2018: £130,000) in respect of his services as a Director. This remuneration is included as part of his emoluments as disclosed in note 3.

At 31 December 2019, Kerim Sener had received £109,583 or TL795, 621 (2018: £52,756 or TL353,792) 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. This remuneration is in addition to his emoluments disclosed in note 3.

As part of the Group's earn in agreement described in detail in note 16, Kerim Sener was appointed a director of Venus Minerals Ltd ("Venus") on 13 August 2019. Kerim Sener received no remuneration during the period to 31 December 2019. The Group made payments under the terms of the earn-in agreement of £534,000 which are eligible for conversion into ordinary shares in Venus and recognised in other receivables at 31 December 2019. There were no other transactions with Venus during the year.

### Joint Venture company

Loans including unpaid dividends payable on demand by Zenit Madencilik San. ve Tic. A.S. to Galata Madencilik San. ve Tic. Ltd. amounted to £3,383,297 (2018: £1,402,055).

## 25. Post year end events

On 11 March 2020, the World Health Organisation declared the Coronavirus outbreak to be a pandemic in recognition of its rapid spread across the globe. For the Group's 31 December 2019 financial statements, the Coronavirus outbreak and the related impacts are considered non-adjusting events. Consequently, there is no impact on the recognition and measurement of assets and liabilities. The risks to the overall business activity and the operations of the Group and the mitigating actions being taken have been set out in the Strategic Report. While the outcome of the COVID-19 pandemic cannot be estimated with reasonable certainty at this stage, the Group has not experienced any substantial disruptions to production or sales at our jointly owned Kiziltepe Gold Mine.

On 1 July 2020 the Company announced that Özaltın Holding A.S., through its subsidiary, Özaltın Insaat, Ticaret and Sanayi A.S. (collectively "Özaltın"), has formally committed to proceeding with its acquisition of 53% of both the Salinbas Project ("Salinbas") and the Zenit Madencilik San. ve Tic. A.S. ("Zenit") joint venture which is currently owned by Ariana in a 50:50 partnership with Proccea Construction Co. ("Proccea").

Further to the Memorandum of Understanding ("MoU") announced on 25 November 2019, the Group intends to partially dispose of various interests held in Turkey to Özaltın, including jointly with Proccea, 53% of Zenit for US\$50 million (to be split equally by Ariana and Proccea), as well as an initial 17% of the Salinbas Project for US\$5 million. In addition, Özaltın commits to injecting a further US\$8 million of equity into the Salinbas Project in order to acquire 53% of the project. It is envisaged Özaltın will ultimately hold 53% of Zenit, with Ariana and Proccea each holding 23.5% and that the Salinbas Project ultimately will be acquired by Zenit, such that the respective shareholdings do not change. Özaltın are now seeking Ministerial approval for the transaction, and the Company also intends to seek approval from Shareholders for the transaction as soon as practically possible.

## 26. 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 18 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 finance 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 their 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 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.

# Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2019

## 26. Capital management policies and procedures *continued*

### 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	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade and other receivables (current and excluding prepayments)	3,981	1,844	534	-
Trade and other receivables (non-current)	93	83	8,508	9,749
	4,074	1,927	9,042	9,749

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

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
United Kingdom	520	386	9,042	9,735
Turkey	3,552	1,539	-	14
Other	2	2	-	-
	4,074	1,927	9,042	9,749

### 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.

Group	GBP		Turkish Lira		Other		Total	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Cash and cash equivalents	48	56	157	812	248	70	453	938
Trade and other receivables	1,113	400	3,459	1,458	2	2	4,574	1,860
Available for sale financial assets	-	-	-	-	-	35	-	35
Trade and other payables	241	206	70	29	7	14	318	249
Other financial liabilities	1,651	1,651	-	-	-	-	1,651	1,651

Company	GBP		Turkish Lira		Other		Total	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Cash and cash equivalents	-	-	-	-	-	-	-	-
Trade and other receivables	9,042	9,735	-	14	-	-	9,042	9,749
Available for sale financial assets	-	-	-	-	-	35	-	35
Trade and other payables	6	6	-	-	-	-	6	6
Other financial liabilities	-	-	-	-	-	-	-	-

## 26. Capital management policies and procedures *continued*

### Sensitivity analysis

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

A 10% strengthening/weakening of Turkish Lira against the Sterling at the reporting date would have increased/decreased net assets by £1,020,000. 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 ceased during the year following the disposal of its remaining investment as set out in note 13.

### 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			
	2019 £'000	2019 £'000	2018 £'000	2018 £'000	2019 £'000	2019 £'000	2018 £'000	2018 £'000
	Group	Company	Group	Company	Group	Company	Group	Company
Financial assets								
Cash and cash equivalents	453	-	938	-	453	-	938	-
Financial assets at FVOCI - Level 1	-	-	35	35	-	-	35	35
<b>Loans and receivables</b>								
Trade and other receivables (current)	4,574	534	1,860	-	4,574	534	1,860	-
Trade and other receivables (non-current)	93	8,508	83	9,749	93	8,508	83	9,749
<b>Financial liabilities measured at amortised cost</b>								
Trade and other payables	(318)	(6)	(249)	(6)	(318)	(6)	(249)	(6)
Other financial liabilities (non-current)	(1,651)	-	(1,651)	-	(1,651)	-	(1,651)	-



# Notes to the Consolidated Financial Statements *continued*

*For the year ended 31 December 2019*

## **26. Capital management policies and procedures** *continued*

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 amount and fair value are considered not significant to adjust for in these accounts. The carrying amount 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 August 2020 12:00 noon, 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.

## **COVID-19 – IMPORTANT – PLEASE READ**

The Board takes its responsibility to safeguard the health of its shareholders, stakeholders and employees very seriously and so the following measures will be put in place for the AGM in response to the COVID-19 pandemic and the current social distancing measures being implemented by the Government in the United Kingdom, which may continue until after the date of the AGM.

The formal business of the Annual General Meeting (**AGM**) will only be to consider and vote upon the resolutions set out in the notice of meeting. The holding of the AGM will be kept under review in line with Public Health England guidance. However, based on current measures implemented by the Government in the United Kingdom **SHAREHOLDERS WILL NOT BE ADMITTED TO THE PHYSICAL MEETING AND ARE THEREFORE ADVISED NOT TO TRAVEL TO THE AGM**. It is intended that the meeting will be held with the minimum number of shareholders and directors present required to form a quorum as per the Company's Articles of Association. The Company is taking these precautionary measures to safeguard its shareholders', stakeholders' and employees' health and make the AGM as safe and efficient as possible.

**SHAREHOLDERS WISHING TO VOTE ON ANY OF THE MATTERS OF BUSINESS ARE STRONGLY URGED TO DO SO THROUGH COMPLETION OF A FORM OF PROXY** which must be completed and submitted in accordance with the instructions thereon. It is emphasised that any forms of proxy being returned via a postal service should be submitted as soon as possible to allow for any delays to or suspensions of postal services in the United Kingdom as a result of measures being implemented by the Government of the United Kingdom. **Shareholders wishing to vote on any matters of business are strongly urged to do so through registering their proxy appointment and voting by proxy online and to appoint the Chairman of the Meeting as your proxy. This will enable the Chairman of the Meeting to vote on your behalf, and in accordance with your instructions, at the AGM.**

In line with corporate governance best practice and in order that any proxy votes of those shareholders who are not allowed to attend and to vote in person are fully reflected in the voting on the resolutions, the Chairman of the meeting will direct that voting on all resolutions set out in the notice of meeting will take place by way of a poll. The final poll vote on each resolution will be published immediately after the AGM on the Company's website.

Further information on voting procedures follows the resolutions below. Queries regarding these procedures may be directed to the Company's registrars, Computershare Investor Services plc, The Pavilions, Bridgewater Road, Bristol BS99 6ZY (+44 (0) 370 889 3196).

# Notice of the 2020 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 2nd Floor, Regis House, 45 King William Street, London, EC4R 9AN on 28 August 2020 at 12.00 noon in order to consider and, if thought fit, pass resolutions 1 to 6 as Ordinary Resolutions and Resolutions 7 and 8 as a Special Resolutions:

## Ordinary resolutions

1. To receive the Annual Report and Accounts for the year ended 31 December 2019.
2. To re-elect Chris Sangster who is retiring pursuant to Article 27.1.2 of the Articles of Association as a Director of the Company.
3. To re-elect Dr Kerim Sener who is retiring pursuant to Article 27.1.2 of the Articles of Association as a Director of the Company.
4. To re-elect William Payne who is retiring pursuant to Article 27.1.3 of the Articles of Association as a Director of the Company.
5. To re-appoint PKF Littlejohn LLP as auditors and to authorise the Directors to fix their remuneration.
6. 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:
  - a. 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:
    - i. to holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective holdings; and
    - ii. 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
  - b. 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

7. That, subject to the passing of Resolution 6 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 6 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:
  - a. the allotment of equity securities in connection with an offer by way of a rights issue:
    - i. to the holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and
    - ii. 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
  - b. the allotment (otherwise than pursuant to paragraph 6a 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.

8. That the Company's Articles of Association be replaced in their entirety with the draft new Articles of Association which have been uploaded to the Company's website at <https://arianaresources.com/investors/aim-rule-26>.

By Order of the Board dated  
27 July 2020.

**Notes:**

1. The notes in connection with the appointment of a proxy must be read subject to the overriding circumstances concerning attendance at the AGM as dictated by the COVID-19 pandemic, and described on page 73 of the annual report, which you are urged to read.
2. 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.
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. Shareholders are reminded of the COVID 19 restrictions.
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 12 noon on 26 August 2020.
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. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting (and any adjournment of the meeting) by following the procedures described in the CREST Manual available on the website of Euroclear UK and Ireland Limited ("Euroclear") at [www.euroclear.com](http://www.euroclear.com). CREST Personal Members or other CREST sponsored members (and those CREST members who have appointed a voting service provider) should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message (regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy) must, in order to be valid, be transmitted so as to be received by Computershare Investor Services PLC.
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 6pm on 26 August 2020, (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.
13. Copies of the proposed new articles are available on the Company's website by following this link <https://arianaresources.com/investors/aim-rule-26>. A hard copy can be made available by calling on or by request in writing to Company Secretary at Ariana Resources plc, 2nd Floor, Regis House, 45 King William Street, London, EC4R 9AN.

**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.

# Advisors

## Directors

M J de Villiers  
A K Sener  
W J B Payne  
C J S Sangster

## Secretary

M J de Villiers

## Registered Office

2nd Floor, Regis House  
45 King William Street  
London, EC4R 9AN

## Registered Number

05403426

## Auditors

### PKF Littlejohn LLP

15 Westferry Circus, London, E14 4HD

## Bankers

### HSBC

186 Broadway, Didcot, Oxfordshire, OX11 8RP

## Solicitors

### Gowling WLG (UK) LLP

4 More London Riverside, London, SE1 2AU, United Kingdom

## Joint Broker

### Panmure Gordon (UK) Limited

1 New Change, London, EC4M 9AF

## Nominated Advisor and Joint Broker

### Beaumont Cornish Limited

Bowman House, 29 Wilson Street, London, EC2M 2SJ

## Registrars

### Computershare Investor Services PLC

The Pavilions, Bridgwater Road, Bristol, BS13 8AE

## Public Relations

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