



ARIANA RESOURCES

Red Rabbit Site Visit Report October 2015



Southwest facing view of the Arzu South deposit. SOURCE: Northland Capital Partners Limited

We recently visited Ariana Resources' Red Rabbit Gold-Silver Project, located in western Turkey, where mine development is underway. The Red Rabbit Project is fully funded through a US\$33m facility with a Turkish bank and a further US\$4.5m from joint venture partner Turkish construction company Proccea Construction Co. that is earning a 50% interest in the holding company (Zenit). Red Rabbit is expected to commence production in H216 producing an average of c. 18,500oz Au eq. over an eight-year mine life. At a gold price of US\$1,174/oz Au, the project has a pre-tax NPV₁₀ of US\$21.5m and an IRR of 30.3%. Our site visit focused on the Kiziltepe Prospect where we viewed the Banu Vein, Arzu South, Derya Vein and Arzu North deposits from which the joint venture partners will produce the c. 148,000oz Au eq. at an average grade of 3.6g/t Au eq. over the life of mine. With its large land holding Ariana has significant potential to expand on this initial production rate.

- **Permits:** The Red Rabbit project is fully permitted, with a mining licence valid until 2034. The forestry department is currently clearing the land within the permitted areas of the mine site and all essential freehold land has been acquired.
- **Defined production upside:** The Red Rabbit joint venture is focused on the Kiziltepe and Tavsan sectors of the Project. Tavsan would form a separate heap-leach operation that is expected to produce 30,000oz Au eq. per annum from 2020.
- **Exploration upside:** Outside of the Red Rabbit joint venture Ariana has a significant licence holding that has several areas with small resources already defined and further potential for expansion. Alongside this, the Company has defined a number of targets that require further exploration. Should substantial resources be defined within areas that lie outside the joint venture they can be brought into the joint venture by paying three times the exploration cost to Ariana.

Company description

Ariana Resources is a Turkish focused exploration and development Company. It has two joint ventures on development projects; the Red Rabbit Gold-Silver Project and Salinas Gold-Silver Project.

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INVESTMENT APPRAISAL

Map 1: the Kiziltepe Project



SOURCE: Company

The first stop on our site visit was the southwest side of Kiziltepe Hill (1 on Map 1 and Photo 1). From here we can see the nearby dam that currently provides power and irrigation water to the local community. A nearby 33kva power line with spare capacity can be used by Ariana to supply the mine with grid power (4.5-6kva). There are a number of untested veins in this area some of which are located too close to the dam to be mined, others located a greater distance from the dam could be of economic interest with additional work.

Photograph 1: View from southwest side of Kiziltepe Hill



SOURCE: Northland Capital Partners Limited

The second stop was on the other side of Kiziltepe Hill (2 on Map 1 and Photo 2) facing the northeast. From here we could see Arzu North, Arzu Central where there is potential for additional resources to be defined at depth, and Arzu South. Arzu North and Arzu South will form the two main open pits of the Red Rabbit Project (Cross section 1).

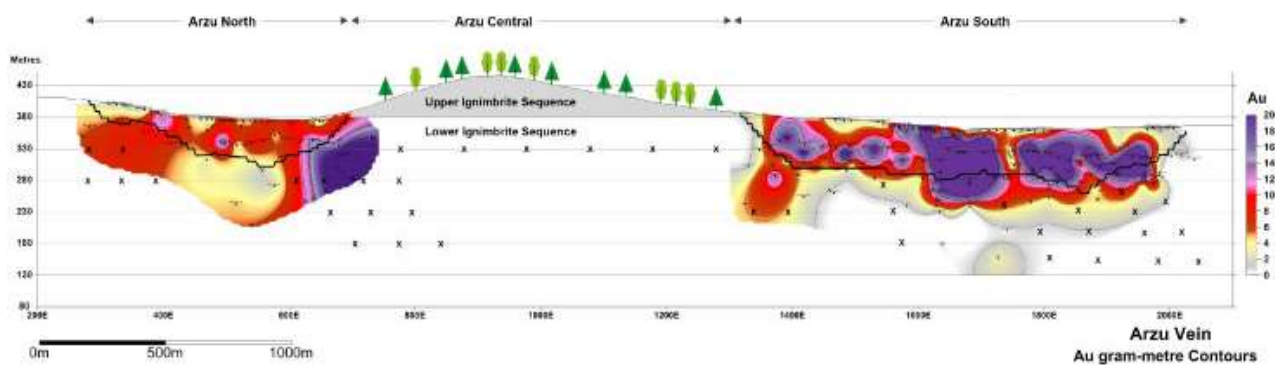


Photograph 2: View from northeast side of Kiziltepe Hill



SOURCE: Northland Capital Partners Limited

Cross section 1: showing the Arzu North and South resources and open pit outlines



SOURCE: Company

The third stop was the Banu Vein looking northwest (3 on Map 1 and Photo 3). The Banu Vein will form one of the subsidiary pits for the Red Rabbit Project. The pit is expected to be shallow, perhaps 40m deep, due to a thinning of the vein at depth. Around 87,000t at a grade of 2.1g/t Au and 43g/t Ag is expected to be extracted from this pit producing c. 8,000oz Au eq. at a grade of 2.9g/t Au eq.

Photograph 3: A part of the Banu Vein looking northwest



SOURCE: Northland Capital Partners Limited



The fourth stop on the trip was to the Arzu South deposit (4 on Map 1 and Photo 4). This will form the main pit of the Kiziltepe development. The pit is expected to be 140m wide, 110m deep and around 700m long. From Arzu South the joint venture partners plan to extract 605,000t at a higher grade of 4.0g/t Au and 45.2g/t Ag, producing c. 95,000oz Au eq. at a grade of 4.9g/t Au eq. The higher grade nature of the deposit will enhance project returns during the early years of the mine's life. From here we turn to face the northwest where the land clearance for the plant and construction of offices is underway (5 on Map 1 and Photo 5). We then move to the southern end of the Arzu South ridge where a RC drilling programme is currently underway testing for potential extensions to Arzu South (6 on Map 1 and Photo 6).

Photograph 4: Arzu South facing southwest



SOURCE: Northland Capital Partners Limited

Photograph 5: The plant development facing northwest



SOURCE: Northland Capital Partners Limited

Photograph 6: Arzu South extension drilling



SOURCE: Northland Capital Partners Limited



The final portion of our site visit was a walk up and over the Upper Ignimbrite Sequence to Arzu North and the Derya Vein. Arzu North is the second largest pit around 400m long, 200m wide and 75m deep, and from it the partners are expecting to extract around 248,000t at a grade of 2g/t Au and 36.3g/t Ag, producing c. 21,900oz Au eq. at a grade of 2.6g/t Au eq. In 2009, the Company completed a small trial mining programme in the area and the trial mining pit can be seen in Photo 7 (7 on Map 1). The Derya Vein forms another subsidiary pit where around 108,000t at a lower grade of 1.6g/t Au and 29.6g/t Ag is planned to be extracted producing c. 7,500oz Au eq. at a grade of 2.0g/t Au eq. The lower grade nature of Derya means that it is likely to be mined last of the existing pits, and it is also likely to get pushed out as Ariana continues to discover further ounces around the Kiziltepe plant.

Photograph 7: Arzu North trail pit



SOURCE: Northland Capital Partners Limited

Proccea

During our site visit, representatives of Ariana's joint venture partner Proccea were present. Proccea is an integrated Turkish turn-key construction firm that has been involved in the design and construction of a number of gold and silver processing plants in Turkey and internationally. Proccea has 1.7% interest in Ariana.

Proccea has been an important partner for Ariana Resources for the past five years, not only providing US\$8m as part of its earn-in to 50% of the project but also bringing the high-level knowledge and skills for the design and construction of both the mine and the plant.

Proccea has worked on Eldorado Gold's 230,000oz Au per annum Kışladağ Gold Mine, Alacer Gold's 190,000oz Au per annum Çöpler Gold Mine, Koza Gold's 16,000oz Au per annum Mastra Gold Mine all located in Turkey. Internationally, the Company has worked on gold projects in Iran, Kazakhstan, Russia, Azerbaijan, Burkina Faso, Algeria, Finland, Argentina and Saudi Arabia.

Development finance

The development finance for the Red Rabbit Project has been secured at the joint venture subsidiary level (Zenit). The Turkish Investment Bank, Türkiye Finans Katılım Bankası A.Ş., is providing at US\$33m credit agreement of which Zenit will receive US\$24m with the balance covering all capital repayments and funding costs. The funding is provided on a participatory banking model and the repayments are calculated according to the amount and timing of each drawdown but the overall credit profit margin cannot be changed. The effective equivalent interest rate is c. 7.5%.

The funding is secured over both Ariana's and Proccea's shares in Zenit and all freehold land owned by Ariana's subsidiary's Camyol Gayrimenkul, Madencilik, Turizm, Tarım ve Hayvancılık Ltd.



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Company	Ticker	Applicable disclosures
Ariana Resources	AAU.L	-

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