

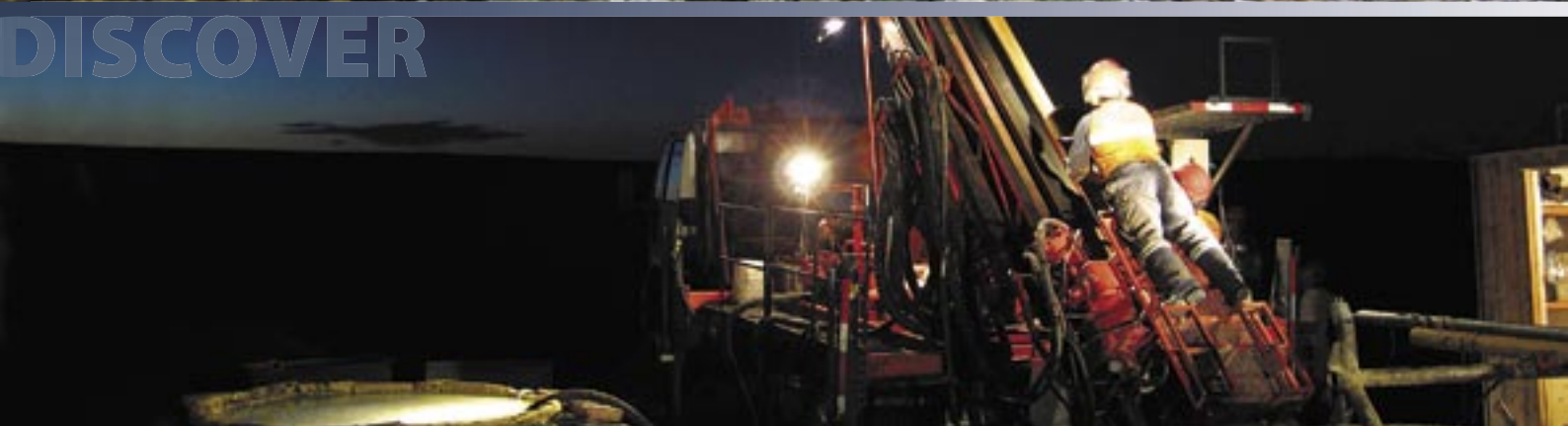
**EXPLORE**



**IDENTIFY**



**DISCOVER**



**ANNUAL REPORT 2006**

**M** **mariana**  
**RESOURCES** Ltd.

“MARIANA IS A LATIN AMERICA FOCUSED EXPLORER  
LED BY A TEAM OF PROVEN MINEFINDERS SEEKING TO  
CREATE SHAREHOLDER WEALTH THROUGH DISCOVERY  
OF ECONOMIC MINERAL DEPOSITS.”

EQUADOR ◦ CHILE ◦ ARGENTINA



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# CORPORATE DIRECTORY

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**AIM CODE** MARL  
**PLUS CODE** MARL



## CHAIRMAN'S REVIEW

Dear Shareholder

I am pleased to report on Mariana's first year as a junior explorer following its debut in May 2006 on the Alternate Investment Market in London (AIM: MARL) after raising £3.63M through company broker Haywood Securities. The IPO was based on a diversified portfolio of quality gold and copper-gold projects in prospective mineral belts of Ecuador, Chile and the Patagonia Region of Argentina and included joint ventures with IAMGOLD (Ecuador, Argentina) and Anglo American (Chile).

Post IPO, Managing Director John Sutcliffe and his team commenced exploration leading to preliminary drilling in Ecuador (Guanazan, 4th Quarter 2006) and Argentina (Santa Cruz Joint Venture, 1st Quarter 2007).

Mariana has a strategic position in Southern Ecuador, a region which is undergoing a major exploration boom following last year's discovery of an exciting epithermal gold deposit in the Cordillera del Condor by Aurelian Resources Inc. A "mineral inventory" (non NI-43-101 compliant) of 7.5 million ozs gold (26.8Mt @ 8.7 g/t Au) has been published by Dundee Securities Corporation (February 2007).

Drill target definition has advanced at a number of Mariana projects in Ecuador and I would like to highlight La Victoria and Loma de la Virgen. At La Victoria,

gold panning and soil sampling have outlined a 1,000m x 600m skarn gold target area with trenching in progress to define drill targets. At La Virgen, an 800m epithermal vein trend with widths of 6m has been mapped. Rock chip samples of up to 5.7g/t Au and 800g/t Ag from veins exposed in old workings indicate high grade potential.

It is pleasing to report that Mariana's Fierro Urco Project in Ecuador will be explored in joint venture with Apex Silver Mines Limited. Fierro Urco is a very large mineralized system with potential for high-sulphidation epithermal gold and porphyry copper-gold deposits and has the scope to become a major project for Mariana, funded by Apex.

In Chile, mapping and sampling have been conducted at the Exploradora and Charango Projects which form the basis of the Anglo American joint venture. At Exploradora, a porphyry copper target is indicated east of an area drilled by Anglo in the 1990's. While at Charango, extension of high grade silver veins, mined historically west of the tenements, are the targets. Drilling at Exploradora and Charango is scheduled for May this year.

In Argentina, drilling at Cañadon Largo and Sierra Blanca (Santa Cruz Joint Venture) was completed in February 2007. Although no economic gold-silver intersections were made in this initial drilling, results indicate several epithermal veins strongly anomalous

in gold, silver and pathfinder elements. Results are awaited from the last 5 holes and follow up drilling may be warranted. Ground magnetic surveying and soil sampling are planned over poorly exposed parts of the concession area to target base metal gold silver mineralization, similar to the recent Pinguino discovery by Argentex located immediately east of the Sierra Blanca tenement. The Joint Venture areas contain extensive vein systems located in a world class gold-silver province.

John Sutcliffe, and the Mariana team have covered a lot of ground since launching exploration in July 2006. As a result, I feel the Company is well placed for that all-important discovery in the year ahead. In addition, the Mariana team is currently reviewing a number of interesting new opportunities.

I would like to acknowledge valuable contributions to the Company by all staff, consultants, contractors and members of the Board during the year. Mariana places great emphasis on community acceptance of its exploration activities and this has been achieved in all areas, thanks to painstaking efforts by the Mariana staff involved. Finally, I would like to thank shareholders for their continued support.

John Horsburgh  
Chairman



## THE COMPANY

Mariana Resources Ltd is an AIM listed exploration company established to acquire, through its subsidiary companies, potentially large and/or high value gold and copper-gold prospects in Ecuador, Chile, Argentina and other prospective parts of South America. It seeks to create shareholder wealth from its tenement portfolio by discovery of economic mineral deposits.

The Company is led by a team of Minefinders with over 150 years of

combined industry experience, with a specific South American focus. This includes mine discovery to mine development and covers all aspects from project generation, exploration management, project financing to corporate governance.

Major shareholders include European institutions, Apex Silver and an important group of Australian mining investors. Mariana is also listed on the PLUS trading system in London (code MARL).

## STRATEGY

Mariana's strategy is to identify under-explored areas in selected belts with potential for high grade polymetallic-gold epithermal/skarn mineralisation and porphyry copper-gold deposits. Drill targets are generated by well-executed geological-based exploration. Mariana brings to bear considerable field experience in this regard where early recognition of diagnostic geological features is critical.

The strategy includes a farm out policy where deemed advantageous in order to maximise Mariana's exposure to active exploration. As the Company's forté is essentially exploration and initial development (where appropriate), a major corporate partner would generally be sought for advanced development.



## HIGHLIGHTS 2006

- Company domicile established in Guernsey, listing on AIM in May 2006 after GBP3.63M raised.
- Exploration activities commenced in Ecuador, Chile and Argentina July 2006.
- Drill target identification at La Virgen, Loma Alta and La Victoria (Ecuador) and Exploradora and Charango (Chile), with drill testing of selected prospects scheduled 2nd Quarter 2007.
- Untested epithermal gold-silver veins recognised at La Virgen with widths up to 6m over an 800m trend, with rock chips up to 5.7g/t Au and 800 g/t Ag.
- At La Victoria, a promising 1000m x 600m skarn gold target area was delineated by detailed panning and soil sampling with trenching and close spaced soil sampling in progress.
- Completion of 4,455m of preliminary diamond drilling at Guanazan (Ecuador) and Cañadon Largo/Sierra Blanca (Argentina), targeting epithermal gold-silver.
- Drilling at Cañadon Largo and Sierra Blanca (22 diamond drill holes, assays from 5 holes awaited) indicates high-level epithermal quartz veins strongly anomalous in gold, silver and pathfinder elements. Geophysics and soil sampling planned in covered areas for Pinguino style base metal Au/Ag mineralization, with follow-up drilling anticipated.
- At Fierro Urcu (Ecuador), Mariana has farmed out its very large high-sulphidation gold and porphyry copper-gold project to Apex Silver Mines.
- A number of new project initiatives and opportunities are currently under review by Mariana.

## EXPLORATION REVIEW

A SUMMARY OF COUNTRY BACKGROUNDS  
AND PROJECT HIGHLIGHTS FOLLOW.



### ECUADOR

IAMGOLD JV – 2 epithermal gold projects.

Applications / options – 6 epithermal and 2 skarn projects.

### CHILE

ANGLO AMERICAN JV – 4 gold projects in porphyry  
copper districts – epithermal gold and copper targets.

### ARGENTINA

IAMGOLD JV – 2 unexplored low sulphidation gold  
targets in Santa Cruz, Patagonia.



## ECUADOR

ECUADOR IS THE SMALLEST ANDEAN COUNTRY, WITH AN EXPORT ECONOMY BASED ON OIL, PRAWNS, FLOWERS AND OTHER AGRICULTURAL PRODUCTS. A NEW GOVERNMENT TOOK OFFICE IN JANUARY 2007 AND IS SEEKING CONSTITUTIONAL REFORMS.

IT MAY LOOK TO A POTENTIALLY IMPORTANT MODERN MINING INDUSTRY (NEW MINING CODE ADOPTED IN 2001) TO HELP REGENERATE THE ECUADORIAN ECONOMY. COMMUNITY ACCEPTANCE OF EXPLORATION AND MINING IS A KEY ISSUE IN ECUADOR, AS IN ALL SOUTH AMERICAN COUNTRIES.

Two recent world class gold discoveries have made Ecuador an exploration hotspot in South America:

- Aurelian Resources' FDN low-sulphidation discovery with intersections including 189m @ 24 g/t gold. A "mineral inventory" (non NI-43-101 compliant) of 7.5 million ozs gold (26.8Mt @ 8.7 g/t Au) was published by Dundee Securities Corporation (February 2007).
- IAMGOLD's > 3 million oz gold, 18 million oz silver Quimsacocha high-sulphidation deposit.

Other significant deposits include:

- IMC's large Gaby gold porphyry (in feasibility) and the Rio Blanco (feasibility completed) low-sulphidation vein deposit.
- The historic Zaruma-Portovelo vein district, 5 million ozs gold produced.

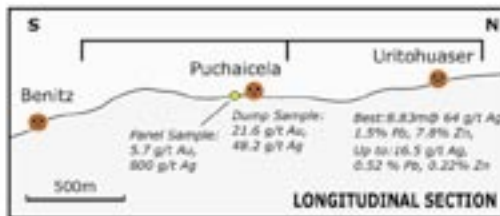
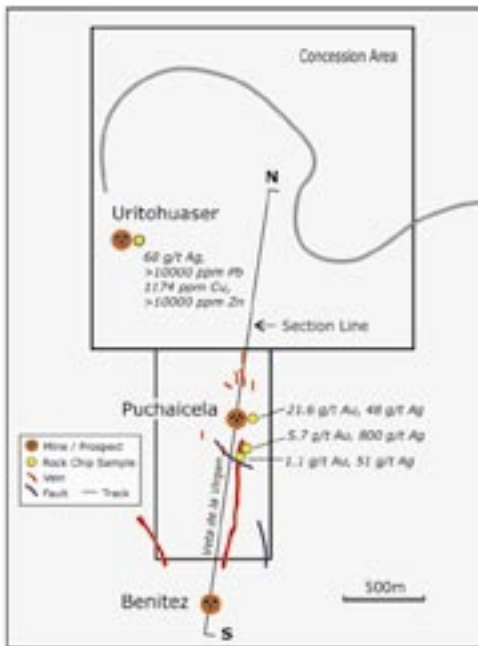
- The 4 million ounce Nambijas bonanza gold skarn.
- Corriente Resources' Mirador gold rich copper porphyry deposit (feasibility completed).

Mariana has a strong portfolio in Southern Ecuador with 47,000 Ha of concessions covering 10 projects and with a further 30,000 Ha under application. Quito is Mariana's operational base for its South American activities.

The current focus is the promising La Victoria, La Virgen, and Loma Alta targets, two of which are expected to be drill tested later in the 2nd Quarter 2007. Drilling at the Guanazan project, part of the Guanazan-Norcay Joint Venture was carried out in the 4th Quarter 2006. A total of 8 drill holes was completed for 1,400m to test outcropping vein structures at depth. The drilling, however, did not intersect strong veins,

possibly a consequence of dislocation by intense broad fault zones as logged in the core. Maximum gold and silver values were 2.5 g/t gold and 52 g/t silver.

Mariana's strategic position allows for some projects to be advanced in joint venture, such as the large Fierro Urcu gold-copper project (joint ventured to Apex Silver, see below).



- Untested low sulphidation gold system
- 800m vein trend, up to 6m wide
- Grab samples to 21.6 g/t Au, and 800 g/t Ag



## LOMA DE LA VIRGEN

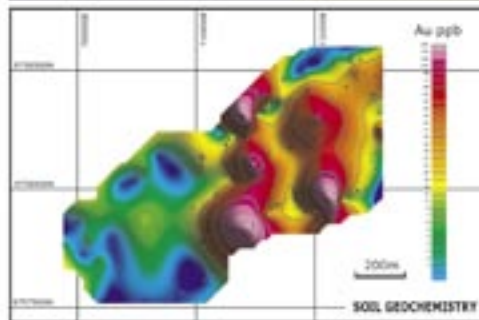
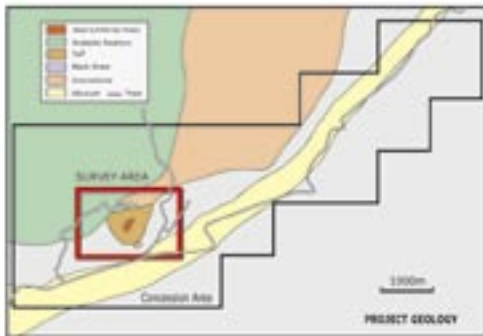
Loma de La Virgen is located 20 km NW of Loja. The target is bonanza grade silver-gold mineralization in N-S trending low-sulphidation quartz-calcite veins. The zone has not been previously explored.

The main vein, Veta de la Virgen, trends for 800m with widths of up to 6m and exhibits classic epithermal textures. Dump samples from shallow workings at the northern end of the known vein zone assayed up to 21.6 g/t Au and 48 g/t Ag and from north of the workings, up to 33.6 g/t Au and >100 g/t Ag. A recent panel sample, 0.6 x 0.6m located approximately 200m to the south of the old workings assayed 5.7 g/t Au and 800 g/t Ag.

Mariana has recently uncovered historic information on the Urito Huaser prospect located in the in the northern part of

the concession, 1 km from the Veta de la Virgen workings. Preliminary exploration was conducted here by the UN in the early 70's. One of three holes drilled, hole No. 2 reportedly intersected 8.8m with 7.8% Zn, 1.5% Pb, and 64 g/t Ag. The relationship of this mineralization to the low-sulphidation style mineralization is being investigated.

Mariana has recently commenced field work which will include drilling on the Veta de la Virgen zone. At Urito Huaser, pitting and trenching will be carried out, and if warranted, followed by diamond drilling. La Virgen is a promising area with good potential for bonanza grade gold and silver mineralization.



- Emerging skarn-gold target
- Coarse gold in pan concentrates
- Anomalous gold in soils



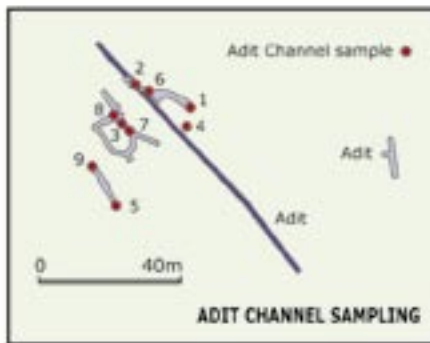
## LA VICTORIA

Mariana has completed preliminary exploration at its wholly owned 2,500 Ha concession, situated in the Western Cordillera, 80km east of Guayaquil. Geological mapping, gold panning and soil sampling have identified the Aguas Claras gold skarn target area in the western part of the concession where intrusives are in contact with sediments and volcanoclastics. The target area is densely vegetated with scarce outcrop, and has been defined by skarn float. (Skarns are calc-silicate altered rocks adjacent to magmatic intrusions).

Detailed gold panning shows most streams draining this elevated skarn area carry exceptional concentrations of pannable gold, with up to 40 gold colours per pan from 4kg gravel samples. A nearby source is inferred. Visible gold has also been observed in skarn float.

Follow up soil sampling along topographic contour lines has indicated a strong gold anomaly extending over approximately 1000 x 600m (open to the NE), with soil values ranging up to 329 ppb Au, compared to a background of less than 10ppb Au. Trenching of the target zone is in progress, together with more detailed ridge and spur soil sampling and is aimed at defining drill targets for testing in the 2nd Quarter 2007.

Aguas Claras is a significant skarn gold target which has never been drilled.



Significant Adit Channel Assays	
1 2.5m @ 19.3 g/t Au	6 1.5m @ 25.2 g/t Au
2 0.7m @ 25.6 g/t Au	7 0.9m @ 17.9 g/t Au
3 0.7m @ 42.5 g/t Au	8 1.4m @ 13.5 g/t Au
4 0.9m @ 11.9 g/t Au	9 1.1m @ 10.7 g/t Au
5 0.4m @ 14.2 g/t Au	



- Multiple gold-bearing skarns
- Adit channel samples up to 0.7m @ 42.5 g/t Au
- Anomalous gold in soils
- Drilling later in the year

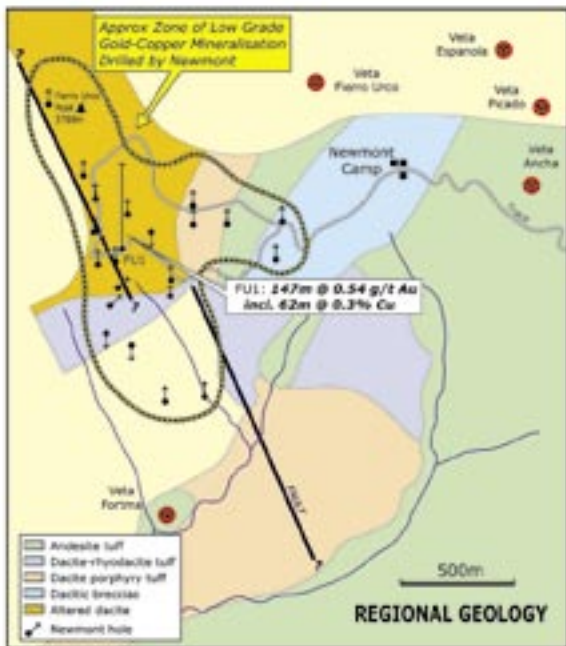


## LOMA ALTA

Loma Alta is a large tenement package (4,774 Ha) which includes options on three concessions located 100km SW of Loja, close to the Peruvian border. The main feature of interest is the presence of two mineralized tabular gold bearing sedimentary units which occur within a gently folded andesite-basalt volcanic sequence. Previously reported channel samples, which reached a maximum value of 42.5 g/t gold, are shown in the table above. Gold mineralization, including coarse visible gold, is found in weathered fine grained well bedded tuffs which show epidote alteration and remnants of garnet. The style of mineralization is rather unusual, and may be skarn-related with strong stratigraphic control.

Recent reconnaissance work at 'Gato de Uña', some 1.5 km to the east has identified the presence of garnets in creek sediments. Two soil lines run over the area returned anomalous gold up to 0.3 ppm Au.

Detailed work will shortly commence with mapping, trenching and drilling later in the year.



- Large gold-copper system
- High sulphidation alteration
- Previous drilling  
147m @ 0.5 g/t Au,  
46m @ 0.8 g/t Au,  
0.6% Cu



## FIERRO URUCU

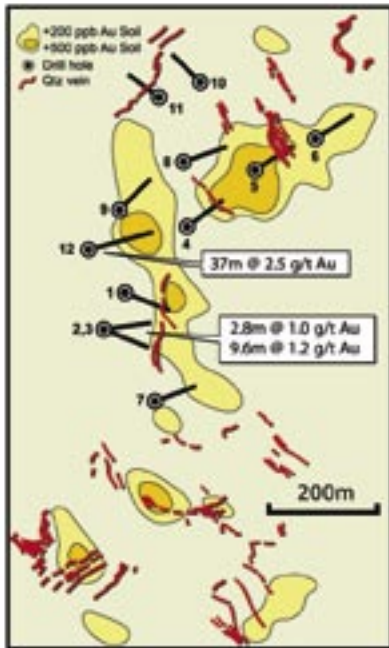
The 2,350 Ha Fierro Urcu property, located 35 km NNW of Loja, comprises a very large mineralized gold copper system hosted by a rhyolite/dacite intrusive complex displaying strong vuggy silica and alunite alteration, characteristically found in high sulphidation gold deposits.

Exploration since its discovery by the UN in 1970 includes a 34 hole diamond drill programme totalling 6,724 m conducted by Newmont in the mid 1990's. The more significant drill intersections are 147m @ 0.54 g/t Au, including a 62m section with 0.3% Cu in hole FU 1, and 46m @ 0.83 g/t Au and 0.62% Cu in hole FU 2.

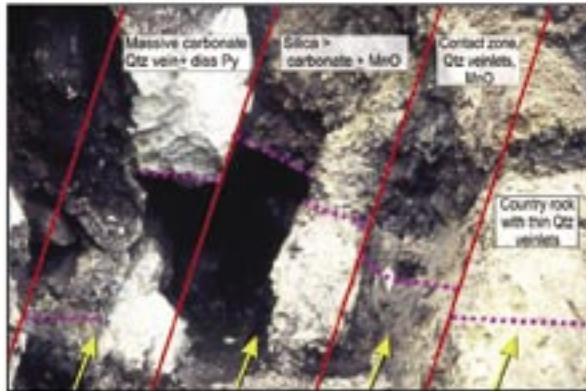
Reconnaissance by Mariana indicates an alunite-altered lithocap extending several kilometres, well outside the focus of previous drilling. One of several reported historic vein workings, the Veta Ancha, was

located and sampled by Mariana. The vein has a width of 6m and a selected sample assayed 7.6 g/t Au and >100 g/t Ag.

In view of the potential scale of this project, Mariana decided to seek a major joint venture partner. Mariana negotiated basic Joint Venture terms with a subsidiary of Apex Silver, Compania Minera Silex Ecuador S.A. (Silex) early in 2007. Silex can acquire a 70% interest in Fierro Urcu by funding exploration to the value of \$2M over 4 years. The letter agreement allows for a 4-month evaluation following which Silex commits to spend \$200,000 over 18 months. After spending \$700,000 over 30 months Silex can earn an initial 51% in the project. Mariana acquired the project from IAMGOLD Corporation, subject to a 4% net profits interest.



- Low sulfidation epithermal gold
- Multiple quartz/carbonate veins
- Shallow drill intercepts up to 37m @ 2.5g/t Au incl. 3m @ 7.6 g/t Au
- Open at depth and on strike
- 1km long soil anomaly
- Only 12 drill holes



Drill core ND-12 (74.5m)



## NORCAY

Norcay is 100km SE of Guayaquil. The area is covered with thick vegetation and outcrop is restricted. It comprises a large epithermal vein system, characterised by unusually large concentrations of manganese and carbonate. IAMGOLD conducted a 12-hole drill programme on the property in 2003, with the best results obtained in the last hole in the programme, - a 37m-long intercept averaging 3.6 g/t Au, including 3m averaging 7.6 g/t Au. Mapping and sampling of informal miners' workings has delineated a vein trend over 600m and with widths up to 6m. Channel samples have yielded up to 29 g/t Au. The limited outcrops are strongly oxidised and surface enrichment of gold is thought probable. Mapping of wet season landslides and informal mine workings suggests that mineralization within the vein zone may be discontinuous and shallow in depth,

and that gold grades below the zone of oxidation are lower, - the 1-2g/t range.

Mariana has reached agreement with IAMGOLD on a restructure of the Norcay-Guanazan Joint Venture terms. The Norcay concessions are to be transferred 100% to Mariana with IAMGOLD retaining a 2.5% NSR royalty in Norcay. This leaves Mariana as concession holder to reach an agreement of cooperation with informal miners currently mining gold on a small scale from shallow workings in oxidised vein zones.

The informal mine workings continue to provide valuable information on the extent and grade of mineralization in areas where limited exposure and dense vegetation have hindered progress in the past. Monitoring of these workings will continue and a decision on drilling will be made later in the year.



## CHILE

CHILE PRODUCES 35% OF THE WORLD'S COPPER FROM PORPHYRY, IRON OXIDE-COPPER-GOLD AND MANTO DEPOSITS. STATE OWNED CODELCO IS THE WORLD'S LARGEST COPPER PRODUCER.

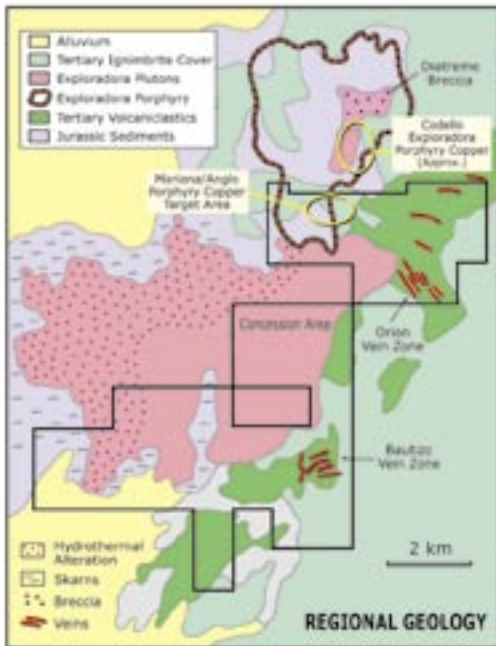
IT IS A HIGH RANKING DESTINATION FOR MAJOR AND JUNIOR MINING COMPANIES AND HAS SEEN INTENSE EXPLORATION FOR BOTH COPPER (SINCE THE 1970'S) AND HIGH-SULPHIDATION GOLD IN THE HIGH CORDILLERA (SINCE THE 1980'S).

Mariana views the potential of the Coastal Ranges for further low sulphidation gold discoveries, such as the 4Moz El Peñon gold deposit as promising.

Chile is expected to be a focus for Mariana and Walter Espinoza was recently appointed as country manager. His considerable experience, as former Barrick and Placer Dome manager will strengthen the Company's foothold in this premier mining country. The Company has established a strategic presence in Chile through a joint venture with an Anglo American subsidiary covering 4 properties. Anglo American is also a major copper producer in Chile operating five major mines.

Work is progressing on the Anglo American joint venture properties, with drilling expected to take place in the 2nd Quarter 2007. Mariana can earn a 70% interest by spending US\$3M over 5 years, with a commitment to spend \$300,000 by May 2007. The most promising properties are Exploradora and Charango.





- Porphyry copper target identified east of previous drilling
- Gold-silver vein targets at Orion and Bautizo Zones
- Drilling planned



## EXPLORADORA

Exploradora is an interesting porphyry copper target, located some 65km north of El Salvador, and falling within the Domeyko Fault Zone (DFZ), - one of the world's most prolific porphyry copper belts, which hosts major copper mines such as Chuquibambilla (Codelco), Collahuasi (Anglo American, Xstrata), El Salvador (Codelco) and Escondida (BHP Billiton, Rio Tinto).

The most northern of the Anglo American tenements cover part of the Exploradora Porphyry, a large copper porphyry deposit, which extends onto adjacent Codelco concessions. Both Anglo and Codelco undertook drilling on their respective parts of the deposit in the 1990's. The copper porphyry mineralization is low grade, generally below 0.3% Cu but higher grades were

detected in drilling in the Anglo ground, from 4 to 34m in thickness with grades of up to 0.8% Cu.

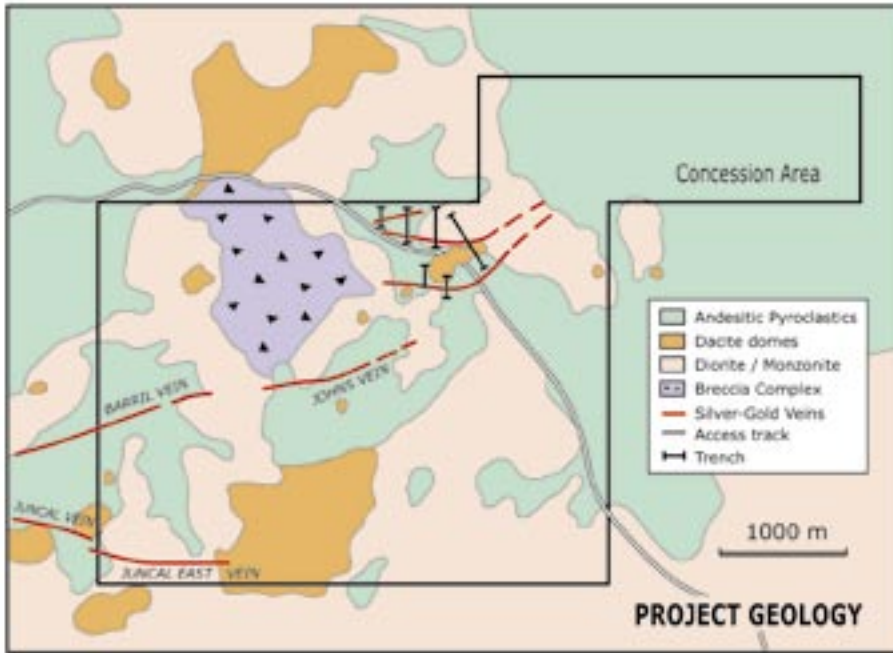
Preliminary mapping by Mariana suggests that mineralization is open to the east and northeast, possibly extending further into Anglo American ground than previously believed.

Other targets in the Anglo ground include a series of NW-SE and E-W trending precious metal/ polymetallic veins, which cut the andesites and sedimentary rocks to the east of the intrusive bodies. Over 100 samples were collected from vein and host rocks. Results so far (some assays are pending) indicated moderate gold and silver and some relatively high copper, lead and zinc contents (over 1%).

Work on the Anglo tenements to date has included a regional geological mapping of the Exploradora Pluton

area by consulting geologist Dr. Warren Pratt, detail mapping at 1:10,000 scale of the Exploradora Porphyry, sampling and mapping of veins, IKONOS and Aster image interpretation, and two visits to the area by consulting geologist Simon Meldrum. An initial drill programme will commence in May 2007.

Exploradora is a challenging project, offering Mariana the chance to participate in a porphyry copper play located in the world's most prolific copper provinces.



- Intermediate sulphidation silver-gold veins
- Vein widths 0.6-2.2m
- Grab samples up to 1000 g/t Ag



## CHARANGO

Charango is located about 100km north of El Salvador, and 18km, in direct line, almost west of Exploradora from which it is easily accessible. The Anglo concessions form part of the historic Juncal mining-district that was worked silver for over 100 years up until recent times. The geology of the area comprises andesite and porphyritic diorite country rocks intruded by a diatreme/breccia complex.

The main feature of interest are two principal ESE and ENE veins which are extensions of the Juncal silver veins. The oxidized parts of the veins on the Anglo tenements have also been extensively mined, to an estimated depth of 100m below surface. There is no information on silver and gold grades below this depth and the workings themselves are mainly inaccessible. A sample of sulphide ore found on dumps assayed 1.13 kg/tonne

Ag, 2.27 g/t Au, 4.12 % Cu , 3510 ppm Sb and 12.5 ppm Hg, suggesting that significant silver values may be encountered below the depth of oxidation. Charango mineralization is believed to be low to intermediate sulphidation in character, as supported by the significant pathfinder trace element content of the sulphide ore. Sulphide ore was probably refractory in the oxide treatment plant used by the small-scale miners.

Further work is currently in progress and drilling is planned for May 2007.



## ARGENTINA

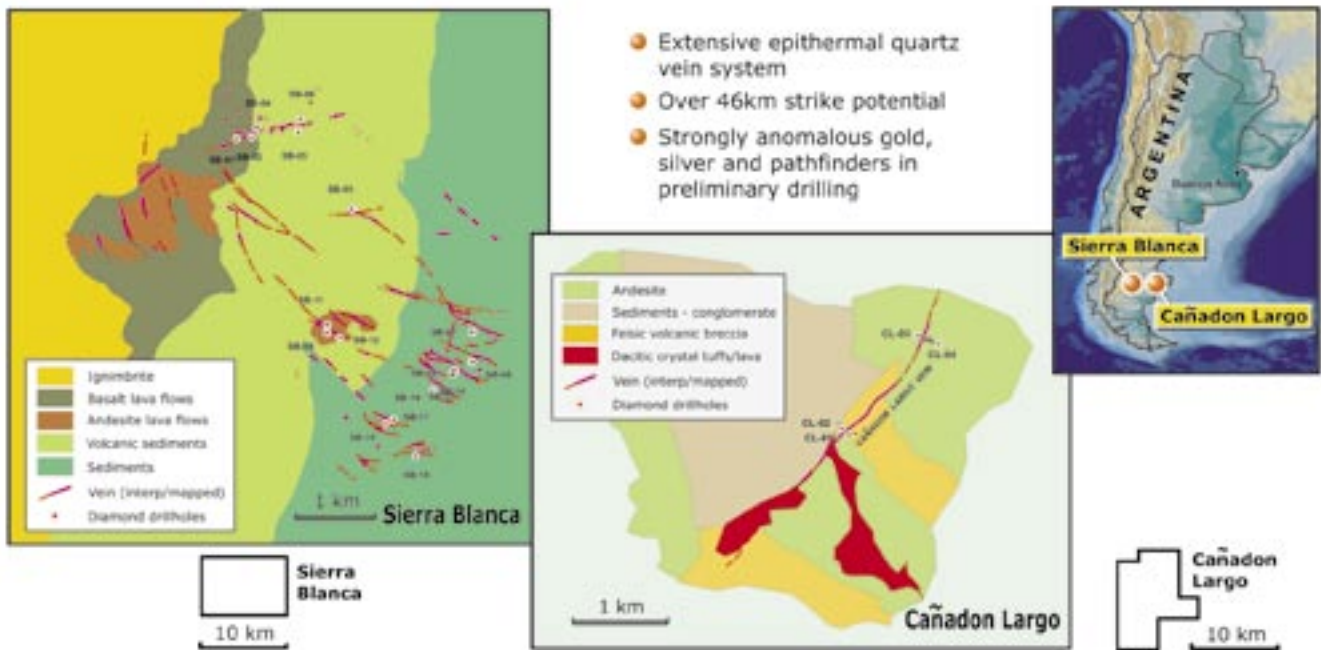
ARGENTINA IS SOUTH AMERICA'S 2ND LARGEST COUNTRY AFTER BRAZIL WITH A POPULATION OF 36 MILLION. IT IS A PRIMARY PRODUCER WITH AN EMERGING MINING INDUSTRY.



Major mines or developing mines in Argentina include Bajo de la Alumbra in Catamarca Province (copper-gold), Veladero in San Juan Province (gold) and Cerro Vanguardia (gold-silver), Martha (silver), San Jose (silver-gold), Manantial Espeja (silver-gold) all in Santa Cruz Province. Many of the major miners are active in Argentina together with numerous junior explorers.

Mineral Rights are State-owned but administered by the Provinces. Provinces with an embargo on open pit mining and cyanidation include Chubut, Mendoza, Rio Negro and Catamarca. Mariana's Sierra Blanca and Cañadon Largo projects are in the pro-mining Santa Cruz Province in southern Argentina.

Sierra Blanca and Cañadon Largo are held in joint venture with IAMGOLD. Under the terms of the Santa Cruz Joint Venture, Mariana can earn a 70% interest in the two properties by expenditure of US\$2M by October 2009. Sierra Blanca and Cañadon Largo are located 290km SSW of Comodoro Rivadavia in the central part of the Deseado Massif, an emerging silver-gold province of world class significance. The projects are located along the prospective Cerro Vanguardia-San Jose mine trend.



## SIERRA BLANCA/ CANADON LARGO

In February 2007, Mariana completed 22 diamond drill holes totalling 2,995 metres at Sierra Blanca and Cañadon Largo. A total of 18 holes for 2,523m was completed at Sierra Blanca to test eight veins within a large vein system (13km of mapped, 29km of inferred veins). Vein outcrops are strongly anomalous in gold/silver (up to 0.8m @ 2.16g/t Au and 507g/t Ag) and pathfinder elements, consistent with high-level epithermal silver gold systems. Ten of these holes intersected significant quartz veins but five failed to intersect targets, either due to drilling difficulties (SB 13) or structural off-sets (SB 5, 8, 17 and 18).

Highest assay results for the first 17 holes were 1m @ 1.2 g/t Au, 24 g/t Ag from 28m (hole SB 4), 0.8m @ 1.15 g/t Au, 17 g/t Ag from 36.5m (hole SB 4) and 0.9m @ 0.33 g/t Au, 113 g/t Ag from 33m.

Four holes totaling 472m were completed at Cañadon Largo, a 3.8km vein from which rock chip sampling results of up to 1.95g/t Au, and 238 g/t Ag had been reported. Holes CL 1 and 3 intersected strong vein structures, but gold and silver assays were low. However, hole CL 1 intersected significant pathfinders (Hg to 25 ppm, Sb to 242 ppm, and As to 2720 ppm) between 77.9m and 95.7m suggesting shallow epithermal depth. A deeper hole (CL 4) was to test the structure in depth but failed due to drilling difficulties.

A detailed appraisal will be made once remaining holes have been assayed. Only a small part of the large Sierra Blanca vein system has been tested. Geochemical evidence from drilling at Cañadon Largo suggests that economic values, if they exist, could be below the drilled depth.

Sierra Blanca and Cañadon Largo are adjacent to the Pinguino project area, where Argentex Mining Corporation recently reported the discovery of

intrusion-related gold-silver mineralization at the NW trending Martha Vein with drill intercepts up to 8.8m @ 0.9g/t Au, 1095 g/t Ag and 1.9m @ 8.3 g/t Au, 917 g/t Ag.

Following a recent review of published information on the Argentex discovery, prospecting of the eastern part of the Sierra Blanca concession area has revealed poorly outcropping gossan, with anomalous lead values to 7440ppm and zinc to 6220ppm and a quartz vein assaying 1.24 g/t Au and 998 g/t Ag over 1m. Follow-up soil sampling and ground geophysics are being considered to test the surrounding poorly exposed area.

While the initial drilling failed to intersect significant gold or silver values, this was a first pass to test an extensive vein system, with promising geochemical signatures, and adjacent to the Pinguino discovery. Mariana will consider targeting some deeper drill holes once all results are available, and the soil and geophysical survey have been completed.





# DIRECTORS' REPORT

The directors present their report for the year ended 31 December 2006. The company was incorporated on 31 January 2006; consequently the report covers less than a full year and there is no comparative information for the previous year.

## PRINCIPAL ACTIVITIES

The principal activities of the company are investment and the exploration for minerals, principally gold, silver and copper in Argentina, Chile and Ecuador.

## BUSINESS REVIEW

The results for the Group are set out in Financial Statements accompanying this report. The directors do not recommend the payment of a dividend. Reviews of the company's activities are set out in the Chairman's Review and Exploration Review.

## RISK

### Exploration risks

Exploration for minerals involves significant degrees of risk. Until such time as it has or acquires a tenement which contains an economically exploitable mineral deposit, the company is likely to operate at a loss.

### Foreign Exchange risk

The Group operates internationally and therefore is exposed to the effects of changes in currency exchange rates. The company has cash resources principally denominated in Pounds but the majority of its expenditure is denominated in other currencies. The Group does not currently hedge these risks.

### Environmental risks

The group's projects are subject to relevant environmental legislation and will themselves have varying levels and types of potential environmental impacts. Like most countries, Argentina, Chile and Ecuador have laws and regulations regarding environmental matters, including disturbance and rehabilitation issues and the discharge of hazardous waste and materials. These are dealt with in the normal course of operations. In general terms the minerals industry has become subject to increasing environmental responsibility and liability. The potential for liability is an ever-present risk, which the company mitigates through sound operational practices and appropriate insurance where available at reasonable cost.

### Political risks

Political climate, changes in government, monetary policies, taxation and other

laws and regulations can have a significant influence on the outlook for projects and companies.

## DIRECTORS AND DIRECTORS' INTERESTS

The directors who held office during the year are:

**John Robert Horsburgh (Age 61) ARSM, MSc, DIC, FAIMM, Chairman**

John Horsburgh, a graduate of the Royal School of Mines, is a geologist with more than 30 years experience in exploration, project development and company management. He was a co-founder of Solomon Pacific Resources NL which achieved success with the discovery and development of the Brocks Creek gold mine in the Northern Territory in Australia. As Executive Chairman he was involved in the acquisition, exploration and financing of the project. Prior to this he was Exploration Manager for SE Australia with Getty Oil Development (minerals division). Before Getty, John gained extensive exploration experience with Billiton and the RTZ Group in Australia, South America and Europe. He is a director and co-founder of Cullen Resources Ltd.

**John Sutcliffe (Age 62) BSc, ARSM, FGS, MIMM, C. Eng., Managing Director**

John Sutcliffe graduated from the Royal School of Mines and has 38 years experience in Latin America, Spain and the Middle East. John, South America specialist, has managed successful exploration for Anglo American, Shell-Billiton, International Minerals Corp, Antofagasta Holdings and Greenwich Resources. He led teams which discovered the Rio Narcea gold belt, now in production, the Rio Blanco bonanza gold-silver deposit in Ecuador, (feasibility stage), the Pallancata bonanza silver-gold deposit in Peru (feasibility study) and the Dos Amigo porphyry copper deposit in Chile (producing mine). He has been involved in significant copper and gold discoveries in the Middle East and Central America. As initiator and manager of the Billiton office

in Chile, he was responsible for identifying the potential of the Collahuasi copper district. He speaks Spanish fluently and is based in Quito, Ecuador.

**Grahame Hamilton (Age 57) BSc, MSc, MAIG, Executive Director**

Grahame Hamilton, a graduate of University of New South Wales and James Cook University, has over 30 years experience in exploration, corporate and project management. He has wide-ranging expertise in project evaluation. Between 1994 and 1996, he managed the Brocks Creek exploration, environmental impact statement, feasibility study, mine development and construction for Solomon Pacific Resources NL, of which he was co-founder. Before Solomon, Grahame managed the minerals division of Getty Oil Development in Queensland, Australia.

**Roger Thomson (Age 61) BSc, ARSM, MAIMM, MAIG, Non-executive Director**

Roger Thomson, a graduate of the Royal School of Mines, is a geologist with more than 30 years experience in mineral exploration, mining geology and management in Australia, South America and South East Asia. He has held the positions of General Manager Exploration with Delta Gold Ltd and Sons of Gwalia Ltd and has been responsible for, or closely associated with, making economic discoveries of gold and tantalum in Australia. Roger successfully managed the programme that led to the discovery of the multi-million ounce Sunrise gold deposit near Laverton in Western Australia. He is a director of Image Resources NL and Meteoric Resources NL.

**The directors who held office during the year had the following interests in ordinary shares in the company.**

	ORDINARY SHARES OF £ 0.001	
	Held at 31 Dec 2006	Held at 31 Jan 2006
J R Horsburgh	1,520,002	2
J Sutcliffe	925,000	Nil
G Hamilton	1,449,002	Nil
R Thomson	198,500	Nil

John Horsburgh's interest in ordinary shares includes 1,285,000 shares held by Dunslair Pty Ltd and 235,000 shares held by Innerleithen Pty Ltd.

Grahame Hamilton's interest in ordinary shares includes 1,302,502 shares held by Kitchsmith Pty Ltd, 106,500 held by Weeroona Investments Pty Ltd and 40,000 shares held jointly with his wife Janet Hamilton.

John Sutcliffe's interest in ordinary shares includes 75,000 shares held by his son and 50,000 shares held by his wife.

All of the shares issued to directors and related parties during the period were issued either as a result of the acquisition by the parent company of all of the issued securities of Mariana Exploration Pty Limited (formerly Mariana Resources Limited, incorporated in Australia),

or through their participation in the company's initial public offering prior to listing on AIM. Each share held in Mariana Exploration Pty Ltd was exchanged for one share in Mariana Resources Ltd. All of the interests in ordinary shares held by directors or related parties are subject to lock-in agreements dated 15 May 2006 whereby directors may not dispose of the interests in ordinary shares held by them until 19 May 2007.

The directors who held office during the year had the following interests in options over ordinary shares in the company.

Director	No. held on 31 Jan. 2006	During the period		No. held at end of year	Exercise price (pence)	Expiry date
		Granted	Expired			
J R Horsburgh	Nil	500,000	-	500,000	4	25/08/2008
		200,000	-	200,000	4	14/10/2008
		100,000	-	100,000	4	16/11/2008
		150,000	-	150,000	6	11/05/2009
		150,000	-	150,000	8	11/05/2009
J Sutcliffe	Nil	250,000	-	250,000	4	14/10/2008
		300,000	-	300,000	6	11/05/2009
		400,000	-	400,000	8	15/06/2010
G Hamilton	Nil	200,000	-	200,000	4	25/08/2008
		200,000	-	200,000	4	14/10/2008
		150,000	-	150,000	6	11/05/2009
		150,000	-	150,000	8	11/05/2009
R Thomson	Nil	200,000	-	200,000	4	25/08/2008
		200,000	-	200,000	4	14/10/2008
		100,000	-	100,000	4	16/11/2008
		150,000	-	150,000	6	11/05/2009
		150,000	-	150,000	8	11/05/2009

All of the options granted to directors during the period were granted as a result of the acquisition by the parent company of all of the issued securities of Mariana Exploration Pty Limited (formerly Mariana Resources Limited, incorporated in Australia). Each option held in Mariana Exploration Pty Ltd was exchanged for one option in Mariana Resources Ltd having the same terms as the Mariana Exploration Pty Ltd option.

## SIGNIFICANT SHAREHOLDERS

At 31 December 2006, in addition to holdings of directors the following held more than a 3% interest in the issued shares of the company.

	No. held	% of share capital
Roy Nominees Limited	3,700,000	10.45
Securities Services Nominees Limited	3,477,500	9.82
Chase Nominees Limited	3,400,000	9.60
Apex Silver Mines Limited	3,117,500	8.81
Goldman Sachs Securities (Nominees) Limited	2,575,000	7.27
Morstan Nominees Limited	1,500,000	4.24
RMB Australia Holdings Limited	1,250,000	3.53
Alexander Mining PLC	1,165,000	3.29
	<b>26,395,500</b>	<b>74.55</b>

### CORPORATE GOVERNANCE

The directors acknowledge the importance of the guidelines set out in the Combined Code on Corporate Governance. They therefore intend to comply with the Combined Code so far as is appropriate having regard to the size and nature of the company.

### BOARD STRUCTURE AND COMMITTEES

The Board comprises three executive directors and one non-executive director. The roles of Chairman and Managing Director are separate, ensuring a division of responsibilities at the head of the company. The Chairman conducts Board and shareholder meetings and ensures all directors are properly briefed. The Board is responsible for formulating, reviewing and approving the company's strategy, budgets and major items of capital expenditure.

The directors have access to independent advice at the Company's expense.

Each of the directors must retire by rotation at least every three years when they can offer themselves for re-election if eligible.

The Board has established three committees;

- Audit Committee, consisting of Grahame Hamilton and Roger Thomson;
- Remuneration Committee consisting of John Horsburgh and Roger Thomson; and
- Nomination Committee, consisting of John Horsburgh and Roger Thomson.

### INTERNAL CONTROLS

The Board is responsible for maintaining a sound system of internal controls to safeguard shareholders' investment and

the Group's assets. The directors monitor the operation of internal controls. The objective of the system is to safeguard Group assets, ensure proper accounting records are maintained and that financial information used within the business and for publication is reliable. Any such system of control can only provide reasonable but not absolute assurances against material loss or misstatement.

The Board has reviewed the operation and effectiveness of the company's system of internal controls for the financial period and for the period up to the approval of the financial statements.

### DIRECTORS' REMUNERATION

All matters concerning the remuneration of executive directors are considered by the Remuneration Committee.

## REMUNERATION POLICY

The Remuneration Committee's policy is that director's remuneration be commensurate with services provided by them to the company. The remuneration of all directors is considered by the Committee and comprises basic salary only. There are no formal bonus arrangements in place or other long-term incentive schemes; however all directors hold share options issued prior to the company's listing on AIM.

## SHAREHOLDER RELATIONS

Communications with shareholders are considered important by directors. The executive directors speak regularly with investors and analysts. Company press releases and circulars have been issued

regularly issued during the reporting period and subsequent to balance date to keep investors informed about the company's progress.

The company maintains a web site, [www.marianaresources.com](http://www.marianaresources.com) which is regularly updated and contains a wide range of information about the company.

## FINANCIAL REPORTS AND ACCOUNTING STANDARDS

The company was incorporated on 31st. January 2006. Consequently the financial statements to 31st. December 2006 are not in respect of a full year and do not contain comparative statements for the previous year. The company has adopted International Financial Reporting Standards from incorporation.

## EVENTS AFTER BALANCE DATE

Other than matters referred to in the financial statements and business review, there are no significant events affecting the company since 31 December 2006.

## AUDITORS

A resolution proposing the reappointment of RSM Robson Rhodes (Guernsey) Limited will be put to the annual general meeting of the company.

Date 8th May 2007  
By order of the Board  
J. R Horsburgh Chairman

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## MARIANA RESOURCES LIMITED

### Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the Group for that year. In preparing those financial statements, the directors are required to:

select suitable accounting policies and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and the company and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 1994. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



# INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MARIANA RESOURCES LIMITED

We have audited the consolidated financial statements of Mariana Resources Limited and controlled entities for the period ended 31 December 2006 on pages 25 to 39. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with section 64 of the Companies (Guernsey) Law, 1994. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable Guernsey law and International Financial Reporting Standards (IFRSs) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair

view and have been properly prepared in accordance with the Companies (Guernsey) Law, 1994.

In addition we report to you if, in our opinion, the Directors' Report is inconsistent with the financial statements, if the company or group has not kept proper accounting records, or if we failed to obtain all access, information and explanations we require for our audit.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises the Directors' Report, the Exploration Review and the Chairman's Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

## BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements

made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## OPINION

In our opinion:

- the consolidated financial statements give a true and fair view, in accordance with IFRSs, of the state of the company's affairs as at 31 December 2006 and of its loss and cash flows for the eleven months then ended; and
- the consolidated financial statements have been properly prepared in accordance with the Companies (Guernsey) Law, 1994.

RSM Robson Rhodes (Guernsey) Limited  
Chartered Accountants  
Guernsey, Channel Islands  
8th May 2007

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the financial period ended 31 December 2006

	Notes	2006 £
<b>TURNOVER</b>		-
<b>OPERATING EXPENSES</b>		
Administrative expenses		474,886
Net operating expenses		474,886
<b>OPERATING LOSS</b>		
Interest receivable	1	63,614
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		
Taxation on loss on ordinary activities	6	-
<b>LOSS FOR THE FINANCIAL PERIOD</b>		
		(411,272)
<b>LOSS PER SHARE – BASIC AND DILUTED</b>		
	7	(Pence) (1.5)

The operating loss for the financial period arises from the group's continuing operations.  
There is no difference between results reported above and their historical cost equivalents.

The accompanying notes are an integral part of these consolidated financial statements.

## CONSOLIDATED BALANCE SHEET

at 31 December 2006

	Notes	2006 £
<b>FIXED ASSETS</b>		
Intangible assets	8	966,508
Tangible assets	9	97,314
		1,063,822
<b>CURRENT ASSETS</b>		
Debtors		24,302
Cash at bank and in hand and on deposit	16	2,491,258
		2,515,560
<b>CREDITORS</b>		
Amounts falling due within one year	11	126,637
<b>NET CURRENT ASSETS</b>		2,388,923
<b>NET ASSETS</b>		3,452,745
<b>CAPITAL AND RESERVES</b>		
Called up share capital	12	3,539
Share premium	13	3,896,333
Other reserves		(35,855)
Profit and loss account		(411,272)
<b>EQUITY SHAREHOLDERS' FUNDS</b>		15 3,452,745

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the board on 8th May 2007

J.R. Horsburgh  
Chairman

G. Hamilton  
Director

## COMPANY BALANCE SHEET

at 31 December 2006

	Notes	2006 £
<b>FIXED ASSETS</b>		
Investments	10	1,452,317
		1,452,317
<b>CURRENT ASSETS</b>		
Cash at bank and in hand and on deposit		2,065,118
<b>CREDITORS</b>		
Amounts falling due within one year	11	95,417
<b>NET CURRENT ASSETS</b>		
		1,969,701
<b>NET ASSETS</b>		
		3,422,018
<b>CAPITAL AND RESERVES</b>		
Called up share capital	12	3,539
Share premium	13	3,896,333
Profit and loss account		(477,854)
<b>EQUITY SHAREHOLDERS' FUNDS</b>		
	15	3,422,018

Approved by the board on 8th May 2007

J.R. Horsburgh  
Chairman

G. Hamilton  
Director

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial period ended 31 December 2006

	Called up Share Capital (Note 12) £	Share Premium (Note 13) £	Other Reserves £	Profit and Loss Account £	Total £
Balance at beginning of period	-	-	-	-	-
Issue of share capital	3,539	3,896,333	-	-	3,899,872
Foreign Exchange Losses	-	-	(35,855)	-	(35,855)
Net loss for the period	-	-	-	(411,272)	(411,272)
Balance at end of period	3,539	3,896,333	(35,855)	(411,272)	3,452,745

The accompanying notes are an integral part of these consolidated financial statements.

MARIANA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

**CONSOLIDATED CASHFLOW STATEMENT**  
for the financial period ended 31 December 2006

	Notes	2006 £
<b>CASH OUTFLOW FROM OPERATING ACTIVITIES</b>		(435,831)
Returns on investments		63,614
Capital expenditure and financial investment		(319,797)
<b>CASH OUTFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING</b>		(692,014)
Management of liquid resources		1,750,000
Financing		3,183,272
<b>INCREASE IN CASH IN THE PERIOD</b>		4,241,258
<b>RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET CASH FUNDS</b>		
Increase in cash in the period		4,241,258
Cash inflow from increase in liquid resources		(1,750,000)
<b>NET FUNDS AT BEGINNING OF FINANCIAL PERIOD</b>		-
<b>NET FUNDS AT END OF FINANCIAL PERIOD</b>		2,491,258

MARIANA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
for the financial period ended 31 December 2006

	Notes	2006 £
Loss for the financial period		411,272
Foreign currency translation adjustments relating to subsidiary undertakings		35,855
<b>TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE PERIOD</b>		447,127

The accompanying notes are an integral part of these consolidated financial statements.

## ACCOUNTING POLICIES for the financial period ended 31 December 2006

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

### BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with the International Financial Reporting Standards.

In common with many exploration companies, the company raises finance for its exploration and appraisal activities. Further funding is raised as and when required. When any of the group's projects move to the development stage, specific funding will be required.

The directors are of the opinion that the current cash balances will be adequate to enable the group to undertake its planned activities for the next 12 months and accordingly have prepared the accounts on a going concern basis.

### BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2006. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the Consolidated Profit and Loss Account from the date of acquisition or up to the date of disposal.

### INTANGIBLE FIXED ASSETS

All costs directly relating to the acquisition, exploration and development incurred by the company or its subsidiary undertakings on its mineral properties are carried as intangible assets until such time as it is determined that there are commercially exploitable reserves at which time such costs will be transferred to tangible fixed assets to be amortised over the expected productive life of the asset. Such costs include appropriate technical and administrative expenses but not general overheads. The directors periodically review the intangible assets for impairment and where a project is abandoned or is considered not to be economically viable, the related costs are written off.

### TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at historical cost less provisions for depreciation or impairment.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life as follows:

- Office furniture and equipment ..... 10% to 33.36% straight line
- Vehicles.....20% straight line

### FOREIGN CURRENCIES

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the Profit and Loss Account.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and Loss Accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves.

## **DEFERRED TAXATION**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those which they are recognised in the financial statements.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

## **REVENUE**

Revenue comprises interest on deposits. It is recognized as it is earned.

## **IMPAIRMENT**

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use. In assessing value in use, the expected future cashflows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses are recognised in the Profit and Loss Account. A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

## **INVESTMENTS**

Long term investments representing interests in subsidiary undertakings are stated at cost in the company's book less any provision for impairment in the value of the fixed asset investment.

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at their carrying values. Liquid resources comprise term deposits of less than one year.

## **COMPARATIVE INFORMATION**

The Company was incorporated on 31 January 2006. Accordingly, comparative information is not presented.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial period ended 31 December 2006

### 1. INTEREST RECEIVABLE

	2006 £
Bank interest receivable	63,614
	63,614

### 2. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2006 £
Loss on ordinary activities before taxation is stated after charging/(crediting):	
Auditors' Remuneration - audit	27,134
Depreciation and amounts written off tangible fixed assets	9,752
Exchange losses	17,864
	44,750

### 3. REMUNERATION OF DIRECTORS

	Salary £	Superannuation Contributions £	Fees £	Total £
John Sutcliffe	-	-	73,503	73,503
John Horsburgh	25,496	2,295	-	27,791
Grahame Hamilton	17,233	1,551	-	18,784
Roger Thomson	3,266	838	6,047	10,151
	45,995	4,684	79,550	130,229

The Company does not have a pension scheme. Superannuation Contributions paid are defined contributions to the relevant director's personal pension scheme.

#### 4. EMPLOYEES

The average number of employees during the period, including directors was 27.

The aggregate payroll costs of these persons were as follows:

	2006 £
<b>STAFF COSTS</b>	
Wages and salaries	89,654
Social Security cost	19,124
	<hr/> 108,778

#### 5. SEGMENTAL ANALYSIS

The group has one business segment, that of mineral exploration. An analysis of loss on ordinary activities before taxation and net assets by geographical area is given below:

	2006 £
<b>A) LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	
Ecuador	(79,300)
Chile	(24,535)
Argentina	(6,874)
Australia	(88,060)
Guernsey	(477,854)
Reclassification of capitalised exploration costs*	265,351
	<hr/> (411,272)
<b>B) NET ASSETS</b>	
Ecuador	(78,789)
Chile	24,535
Argentina	(4,879)
Australia	447,724
Guernsey	3,422,018
Reclassification of capitalised exploration costs and consolidation adjustments*	(357,864)
	<hr/> 3,452,745

\* Reclassification of expenses represent exploration costs incurred and expensed by various entities, but capitalised in the consolidated balance sheet, so as to properly reflect the consolidated position.

## 6. TAXATION

	2006 £
<b>CURRENT TAX</b>	-
Total current tax	-
<b>FACTORS AFFECTING TAX CHARGE FOR THE PERIOD</b>	
Loss on ordinary activities	(411,272)
Tax on loss of ordinary activities at 0%	-
Effects of:	
Higher rates of tax on overseas income	29,326
Unrelieved tax losses carried forward	(29,326)

The Group's unrelieved tax losses of £29,326 have not been recognised as a deferred tax asset, as there is currently insufficient evidence that the asset will be recoverable in the foreseeable future.

## 7. LOSS PER SHARE

The calculation of basic and diluted loss per ordinary share is based on the following losses and number of shares:

	2006 £
Loss for the financial period	411,272
Weighted average number of shares	27,912,122

Due to the loss incurred in the period, there is no dilutive effect from the issue of share options.

## 8. INTANGIBLE FIXED ASSETS

	2006 £
<b>EXPLORATION COSTS, GROUP</b>	
Cost	
At beginning of financial period	-
Additions	966,508
<b>AT END OF PERIOD</b>	<b>966,508</b>

## 9. TANGIBLE FIXED ASSETS

	2006 £
<b>VEHICLES, FURNITURE, COMPUTERS AND OFFICE EQUIPMENT COSTS, GROUP</b>	
Cost	
At beginning of financial period	-
Additions	107,065
<b>AT END OF PERIOD</b>	<b>107,065</b>
<b>DEPRECIATION</b>	
At beginning of financial period	-
Charge for period	(9,751)
<b>AT END OF PERIOD</b>	<b>(9,751)</b>
<b>NET BOOK VALUE AT 31 DECEMBER 2006</b>	<b>97,314</b>

## 10. INVESTMENTS

	Shares in subsidiary undertakings £	Loans to subsidiary undertakings £	Total £
<b>COMPANY</b>			
Cost			
At beginning of financial period	-	-	-
Additions	716,600	735,717	1,452,317
<b>AT END OF PERIOD</b>	<b>716,600</b>	<b>735,717</b>	<b>1,452,317</b>

The undertakings in which the Company's interest at 31st December 2006 is more than 20%, all of which are engaged in mineral exploration, are as follows:

	Class of holding	Percentage held	Country of Incorporation
Mariana Exploration Pty Limited	Ordinary	100%	Australia
Compania Minera Mariana S.A.	Ordinary	100%	Ecuador
Minera Mariana Argentina S.A.	Ordinary	100%	Argentina
Minera Mariana de Chile Ltda.	Ordinary	100%	Chile

The Company acquired 100% of Mariana Exploration Pty Limited on 13th March 2006 for total consideration of £716,600. The assets of Mariana Exploration Pty Limited have been consolidated at their fair values to the group as set out below:

	2006 £
<b>NET ASSETS ACQUIRED:</b>	
Intangible fixed assets	616,133
Tangible fixed assets	4,437
Cash at bank	133,206
Debtors	3,822
Creditors	(40,998)
	716,600
<b>DISCHARGED BY:</b>	
Issue of shares	716,600

#### 11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2006 £	Company 2006 £
Trade creditors	5,014	-
Other creditors	12,330	-
Accruals	109,293	95,417
	126,637	95,417

#### 12. SHARE CAPITAL

	Group & Company 2006 £
<b>AUTHORISED</b>	
100,000,000 ordinary shares of £0.0001 each	10,000
<b>ALLOTTED, ISSUED AND FULLY PAID</b>	
35,404,838 Ordinary shares of £0.0001 each	3,539
<b>MOVEMENT IN ISSUED SHARE CAPITAL DURING THE FINANCIAL PERIOD</b>	
Formation of the Company on 31st January 2006.	10,000
Issue of shares for acquisition of Mariana Exploration Pty Limited on 13th March 2006.	17,194,838
Placement of shares at a price of 20 pence each in May 2006.	18,150,000
Exercise of 4 pence options	10,000
Exercise of 8 pence options	40,000
	35,404,838

### 13. SHARE PREMIUM

	Group & Company 2006 £
Premium on shares issued during the period	4,346,661
Share issue costs	(450,328)
	3,896,333

### 14. SHARE OPTIONS

At 31 December 2006, the following share options over ordinary shares each of the Company had been granted and not exercised:

Expiry date		Number of options	Exercise price UK pence
25 August 2008	(a)	1,050,000	4 pence
14 October 2008	(a)	950,000	4 pence
16 November 2008	(a)	200,000	4 pence
17 February 2009	(a)	50,000	4 pence
11 May 2009	(a)	750,000	6 pence
11 May 2009	(a)	450,000	8 pence
14 October 2009	(a)	140,000	8 pence
28 October 2009	(a)	200,000	8 pence
15 June 2010	(a)	400,000	8 pence
6 February 2010	(a)	340,000	8 pence
18 May 2008	(b)	1,452,000	20 pence
18 May 2010	(c)	343,548	25 pence

(a) Issued to shareholders and option holders of Mariana Exploration Pty Limited on acquisition of all shares and options of Mariana Exploration Pty Limited by the Company in March 2006.

(b) Issued to broker in relation to share placement in May 2006.

(c) Issued to Nominated Advisor in relation to share placement in May 2006.

### 15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group £	Company £
Loss for the financial period	(411,272)	(477,854)
Issue of shares	4,350,200	4,350,200
Issue costs	(450,328)	(450,328)
Exchange rate adjustment	(35,855)	-
Net additions to shareholder funds	3,452,745	3,422,018
Opening shareholders' funds/(deficit)	-	-
<b>CLOSING SHAREHOLDERS' FUNDS</b>	<b>3,452,745</b>	<b>3,422,018</b>

## 16. CASH FLOWS

### A) RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES.

	2006 £
Operating loss	(474,886)
Depreciation	9,752
Foreign exchange losses	(35,855)
Increase in debtors	(20,481)
Increase in creditors	85,638
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	<b>(435,831)</b>

### B) ANALYSIS OF CASHFLOWS FOR HEADINGS NETTED IN THE CASH FLOW

	2006 £
<b>RETURNS ON INVESTMENT</b>	
Interest received	63,614
<b>NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICE OF FINANCE</b>	<b>63,614</b>
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>	
Purchase of tangible fixed assets	(102,629)
Purchase of subsidiary, net of cash acquired	133,206
Purchase of intangible fixed assets	(350,374)
<b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>	<b>(319,797)</b>
<b>MANAGEMENT OF LIQUID RESOURCES</b>	
Increase in cash deposited on fixed term deposit	1,750,000
<b>NET CASH INFLOW/OUTFLOW FROM MANAGEMENT OF LIQUID RESOURCES</b>	<b>1,750,000</b>
<b>FINANCING</b>	
Proceeds from issue of share capital	3,633,600
Share issue costs	(450,328)
<b>NET CASH INFLOW FROM FINANCING</b>	<b>3,183,272</b>
<b>NET ASSETS ACQUIRED IN ACQUISITION</b>	
Intangible fixed assets	616,133
Tangible fixed assets	4,437
Cash assets	133,206
Debtors	3,822
Creditors	(40,998)
	716,600
Satisfied by:	
Issue of shares	716,600
	716,600

### C) ANALYSIS OF NET FUNDS

	2006 £
Cash at bank and in hand	741,258
Cash on deposit	1,750,000
	2,491,258

## 17. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The disclosures set out below exclude short term debtors and creditors.

### i) Currency exposure

The Group had the following cash and liquid resources in currencies other than its functional currency.

The amounts are stated as sterling equivalents.

	2006 £
<b>CASH AND LIQUID RESOURCES</b>	
US dollars	100,619
Australian dollars	294,850
Argentina pesos	17,568
Chile pesos	38,798

### ii) Financial assets

The Group's funds are held as instant access and term deposits none of which were for a period of more than six months. Interest earned was at normal market rates.

### iii) Fair values

The Group has no significant financial assets and liabilities other than those mentioned above and the fair values are therefore not materially different to the book values, as disclosed in these financial statements.

## 18. RELATED PARTY DISCLOSURES

Related party disclosures are shown below:

### a) Balances with Related Party Transactions

Related Party	Relationship	Nature of Transaction	2006 £
Mariana Exploration Pty Ltd	Subsidiary	Intercompany loan	168,812
Compania Minera Mariana S.A.	Subsidiary	Intercompany loan	415,981
Minera Mariana Argentina S.A.	Subsidiary	Intercompany loan	76,389
Minera Mariana de Chile Ltda.	Subsidiary	Intercompany loan	74,535

All of the above loans are interest free. The balances at the beginning of the period were nil; consequently the movements for the year were equal to the balances at end of period.

### b) Transactions with Related Parties

Management fees of £216,515 were payable by Mariana Resources Limited to Mariana Exploration Pty Limited for the year ended 31 December 2006. The amount remained owing at period end and is included in the intercompany loan shown above.

## 19. CAPITAL COMMITMENTS

	2006 £
Capital expenditure contracted for but not provided in the financial statements	-
	-

## 20. POST BALANCE SHEET EVENTS

There has not been any matter or circumstances occurring subsequent to the end of the financial period that has significantly affected, or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.





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