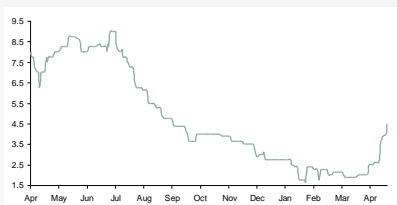


15 May 2009

Code	MARL
Price	4.1p
Market Cap	£3.7 million
Year End	31 December
Cash	£1.2m
Shares in Issue	90 m
Next Results	Prelims 19 May

Share price Performance



Source: Datastream

Company Description

Precious and base metal explorer in Latin America

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Quality drill targets underpin the upside

Mariana Resources consists of a small team of exploration geologists with a proven track record of identifying the potential of early stage exploration projects, making large discoveries, and selling them to international mining companies.

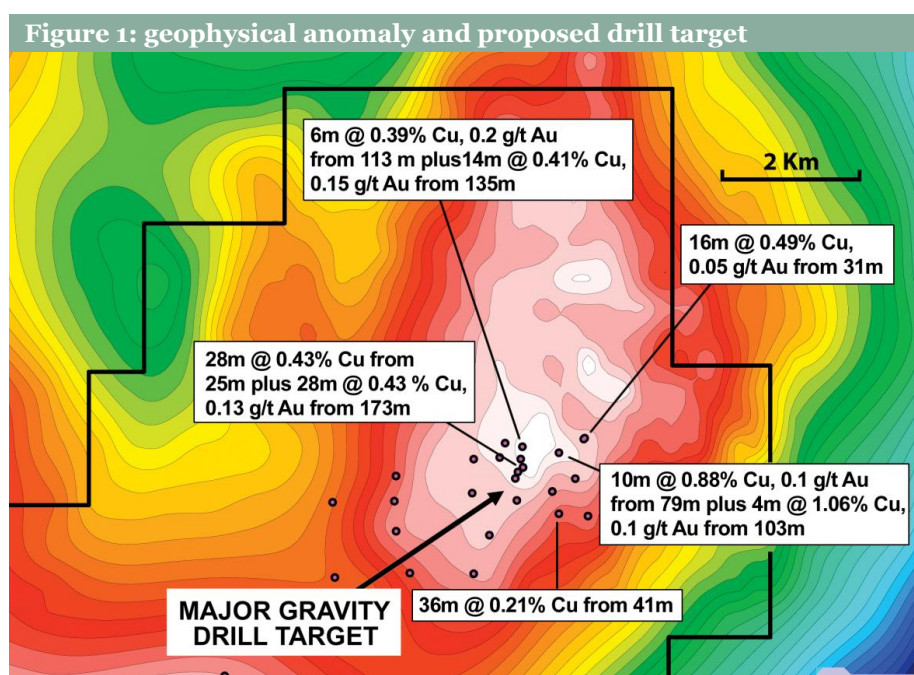
- ▶ **Placing.** The company has successfully raised approximately \$1.5m after a placement of new shares at 3p to new and existing shareholders. The proceeds will be used to fund the 2009 exploration programmes in Chile and Argentina.
- ▶ **A potential company maker.** The company plans to drill the Buenaventura iron oxide copper gold project in Chile, where gravity geophysics has identified a large anomaly below existing mineralisation. We think the Buenaventura project has the potential to be a company maker for Mariana.
- ▶ **Dr Richard Sillitoe,** the internationally renowned expert on epithermal mineralisation, has visited the Sierra Blanca and Tongoril projects in Patagonia, Argentina. In his opinion, both projects have sufficient potential to warrant additional work. The 2009 exploration programme plans to advance both of these projects.
- ▶ **First investment from Hochschild secured.** Since our initiation note last November, Mariana placed 11 million shares with Hochschild to raise £500,000. This is the first of two tranches under the deal with Hochschild. Although Mariana has until 23 December 2009 to draw the second tranche, the company hopes to secure market funds in the meantime. Hochschild owns 14 per cent of the company.
- ▶ **Shares trading at option value.** The current market value of Mariana, at £3.7 million, is equal to our base case valuation of the company. But this does not value the potential of any of the projects to yield a discovery of economic value and, as such, the shares are effectively trading at option value. We think the strong interest in the placing reflects the quality of the exploration targets. We expect Mariana to deliver frequent news flow on these exploration targets throughout the year.

Forecasts (£000s)

Dec Year end	2007A	2008E	2009E
Data			
Sales	-	-	-
EBITDA	(1,571)	(2,200)	(979)
PTL	(1,495)	(2,200)	(979)
LPS	(4.1p)	(3.1p)	(0.9p)
Ratios			
EV/sales	-	-	-
EV/EBITDA	-1.49	-1	-3.3

A big copper drill target in Chile

The Buenaventura project is located in the highly prospective iron oxide copper gold (IOCG) belt between Freeport's Candelaria and Anglo American's Manto Verde copper mines. A geophysical survey, announced on 25 November last year, identified a very large geological anomaly covering a 3km square footprint. The previous 20 holes, drilled in 2002, intersected IOCG mineralisation down to 200m. But the geophysical survey suggests that this is peripheral to and sits above a larger deeper target. About 6 holes to drill deeper into the centre of the anomaly are proposed, costing at least US\$250,000.



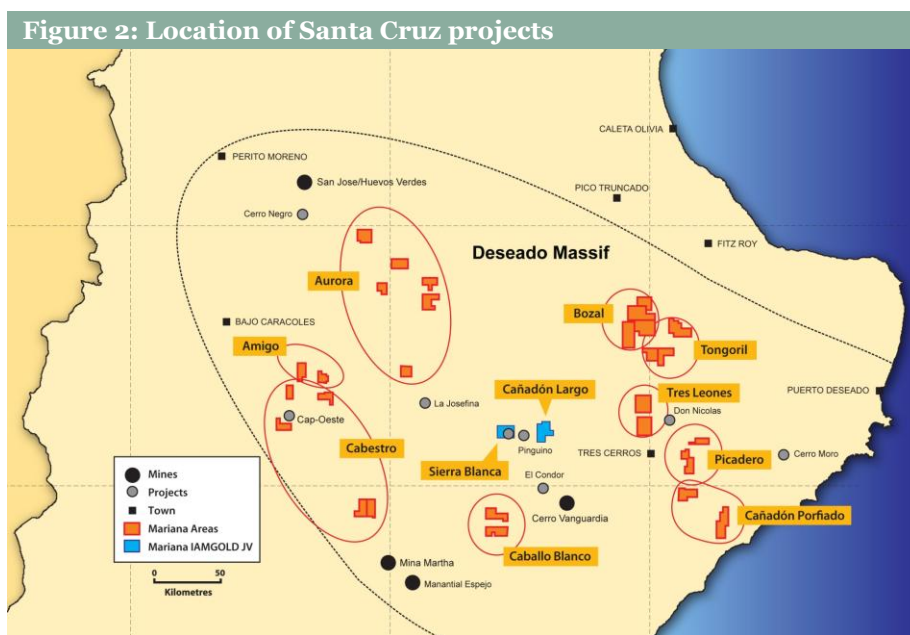
Source: Minotaur Exploration

We consider the Buenaventura project to be the company's current flagship project for two reasons. Firstly, the target for drilling is substantial in size and has been already proven to host low grade IOCG mineralisation. Secondly, the unexpected withdrawal from the JV of ASX-listed Minotaur Exploration in February this year means that Mariana can keep all of the 80 per cent interest in the project, once it has earned it. Minotaur's decision to withdraw from Chile and instead focus on its Australian projects was due to a lack of funding.

While working for Shell, John Sutcliffe, Mariana's managing director, identified the potential of the giant Collahuasi copper deposit, also in Chile. Shell sold its 33 per cent stake in the project in 1995 for \$195 million. Collahuasi is now jointly owned by Anglo American, Xstrata and Mitsui and has become the third largest copper mine in the world. **With the geophysics complete and the sampling of the mineralisation at depth about to start, we think the Buenaventura project has the potential to be a company maker for Mariana.**

Major presence in Santa Cruz, Argentina

With the exception of Sierra Blanca, which has attracted the most funding to date, all projects highlighted in Figure 2 are wholly owned by Mariana. The objective in each case is to target epithermal gold silver mineralisation. Recently reported drill results from Sierra Blanca are encouraging and the company is talking with Iamgold, its joint venture partner, on how to advance the project this year.



Source: Mariana Resources

All of the wholly owned projects are the subject of a binding agreement with Hochschild, the FTSE250 silver miner. Under the terms of the agreement announced in November 2008, Mariana has to give the company first right of offer to joint venture any project in Santa Cruz province that it wholly owns.

The wholly owned properties are all at an early stage of exploration and have never been drilled previously. But assay results from rock samples taken from the Tongoril and La Aurora properties are encouraging as they show potential for epithermal gold silver mineralisation.

Tongoril is the first of the wholly owned projects to emerge as a high priority target. Assuming that the application for a drill permit is successful, the company plans to do trenching and/or scout drilling at Tongoril in August. If the drilling is sufficiently interesting, the project may be offered to Hochschild as a joint venture.

At La Aurora, the company's application for the title to the concession is reportedly well advanced. Assuming the application is successful, further exploration work may be undertaken in the second half of this year.

Dr Richard Sillitoe, an internationally renowned expert on epithermal mineralisation, has visited the Sierra Blanca and Tongoril projects in Patagonia, Argentina. In his opinion, both projects have sufficient potential to warrant additional work.

Valuation

Since our initiation note last November, Mariana's market value has increased by £1.7 million or 65 per cent net of an average spread of 20%. This increase, admittedly from a low base, is after the latest share placement and after 11 million shares were issued to Hochschild in December 2008 increasing the number of shares issued by 65 per cent to 90 million.

The current market value of Mariana, at £3.7 million, is equal to our valuation of the company. This does not value the potential of any of the projects to yield a discovery of economic value and, as such, the shares are effectively trading at option value.

Table 1: Expenditure-based valuation of Mariana Resources

70% stake in Sierra Blanca JV	£1.3m
Implied value of Santa Cruz land package	£1m
6% earned so far in Buenaventura JV	£0.3m
Total minimum value of joint ventures	£2.6m
Value of May 2009 share placement	£1,000,000
Implied market value of MARL after May 09 fundraise	£3.6 million
Plus value of second HOC investment tranche	£500,000
Estimated market value of MARL after second tranche	£4.2 million
HOC ownership of MARL after first tranche at 4.5p	16%
Est. HOC ownership of MARL after second tranche at 4.5p	24%

Source: FinnCap
US\$1.50 = £1

Provenance, credibility and an element of luck are, in our opinion, the most important ingredients in exploration. In agreeing to provide funding without stipulating how the money should be spent, Hochschild is providing a significant endorsement of the ability of Mariana to make an economic discovery.

Our updated TSX and AIM peer group tables from our initiation note in November last year shows a general improvement in valuations. Notably, Patagonia Gold managed to raise £1.8 million in October last year and a further £9.3 million in March this year, in difficult markets, to advance its epithermal gold silver exploration projects. These projects are at the same geological address in Argentina as Mariana's earlier stage projects.

Table 2: AIM and TSX / TSX-V peer group

Company	Ticker	Share price	Market Cap (£m)	Attributable resources (oz)	Mkt cap / resource oz (£)
Exeter Resources*	XRC	CN\$3.40	118	9,989,000	12
Minera Andes**	MAI	CN\$0.67	86	605,575	142
Andean	AND	CN\$1.42	319	1,795,000	178
Patagonia Gold***	PGD	10.2p	61	640,000	95

Source: FinnCap
*valuation includes inferred gold resource at Caspiche
**valuation includes Los Azules copper resource
*** gold equivalent ounces
£1 = CN\$1.79

Financials

Like other companies, Mariana has made inroads to trim corporate overhead. To this effect, 2 directors have voluntarily stepped down and efforts have been made to reduce administration costs. Staff in Chile and Argentina have been reduced and the remaining 3 directors have taken pay cuts.

Table 3: Income statement			
December £000s	2007A	2008E	2009E
Revenue	--	--	--
Operating costs	--	--	--
Admin	(829)	(866)	(979)
Share based payments	(72)	(260)	--
Impairments	(670)	(1,074)	--
Net operating expenses	(1,571)	(2,200)	(979)
Operating loss	(1,571)	(2,200)	(979)
Net interest	76	60	25
Loss before tax	(1,495)	(2,140)	(954)
Tax	--	--	--
Loss after tax	(1,495)	(2,140)	(954)
Loss per share (pence)	(4.1)	(3.1)	(0.9)
No of shares in issue	36,643,901	68,806,868	101,139,980

Source: FinnCap & Mariana Resources

Table 4: Balance sheet			
December £000s	31-Dec-07	31-Dec-08	31-Dec-09
Fixed assets			
Intangible assets	1,478	1,366	2,516
Tangible assets	102	102	102
	1,579	1,468	2,618
Current assets			
Debtors	52	42	32
Cash at bank and in hand	1,501	802	293
	1,553	844	325
Creditors			
Amounts due within one year	(6)	(126)	(111)
Net current assets	1,559	969	436
Net assets	3,138	2,437	3,054
Equity			
Share capital	5	5	7
Share premium	4,936	6,386	7,954
Other reserves	92	92	92
Loss from income statement	(1,906)	(4,046)	(5,000)
Total Equity	3,127	2,437	3,054

Source: FinnCap & Mariana Resources

Table 5: Cash flow statement			
December £000s	2007A	2008E	2009E
Operating cash outflow	(1,418)	(2,200)	(979)
Non cash items			
Debtors	(28)	(10)	(10)
Creditors	(121)	(120)	15
Impairment	670	1,074	--
Return on investments	76	60	25
Capex and exploration investment	(1,210)	(963)	(1,150)
Cash out flow before liquid resources & financing	(2,031)	(2,159)	(2,099)
Management of liquid resources	(475)	--	--
Financing	1,040	1,459	1,590
Net decrease in cash in the year	(1,465)	(699)	(509)
Cash at beginning of year	2,491	1,501	802
Cash at end of year	1,501	802	293

Source: FinnCap & Mariana Resources

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