

04 March 2010

Code (AIM)	MARL
Price	16p
Market Cap	£21m
Year End	December
Cash	£3m
Shares o/s	129m
Next Results	Final results: May

## Share price Performance



Source: Factset

## Company Description

Gold and base metals exploration in South America

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## The bigger exploration picture emerges

**For us, it is apparent from this morning's exploration update on the Las Calandrias project in Patagonia that the potential for additional near-surface gold silver mineralisation is greater than we initially thought. We are maintaining our valuation at 19 pence for now, but reiterate that, with drilling starting next week and the first batch of results due at the end of April / beginning of May, now is a very good time to be owning shares in the company.**

► **Drill target blow-out.** Since our last update in November, the company has carried out a work programme that has revealed the presence of an extensive rhyolite dome complex. The map in Figure 2 shows this complex together with the locations where mineralisation outcrops at surface. This suggests to us that the gold-enriched breccia zones at Calandria South may be repeated elsewhere within the 100 per cent owned licence. We anticipate that not all of these targets will be drill tested during this campaign. But the potential for this discovery to become exponentially bigger has become clear.

► **Calandria South remains the near-term focus.** The aim of this campaign will be to follow up on the Calandria South discovery where 75 per cent of the prospective dome rim remains untested. The drilling will test the northern and eastern dome margin plus the area of known mineralisation for continuity and grade and to establish whether the mineralisation extends deeper than the 100 metre depth limit established by previous drilling. The drilling will also test a sizeable IP anomaly centred immediately west of the known mineralised zone.

► **Hearts and halos.** The results from the geophysical survey show large chargeability zones at Calandria South and Calandria North but also at a fresh anomaly called El Nido East located 1km northwest of Calandria South. As shown in Figure 1, each anomaly is characterised by a 'heart' surrounded by a 'halo' (our terminology). We note that the heart is where chargeability is highest thus suggesting a more enriched presence of sulphide mineralisation. The key now is to discover whether the sulphides contain gold and whether the grade has economic potential.

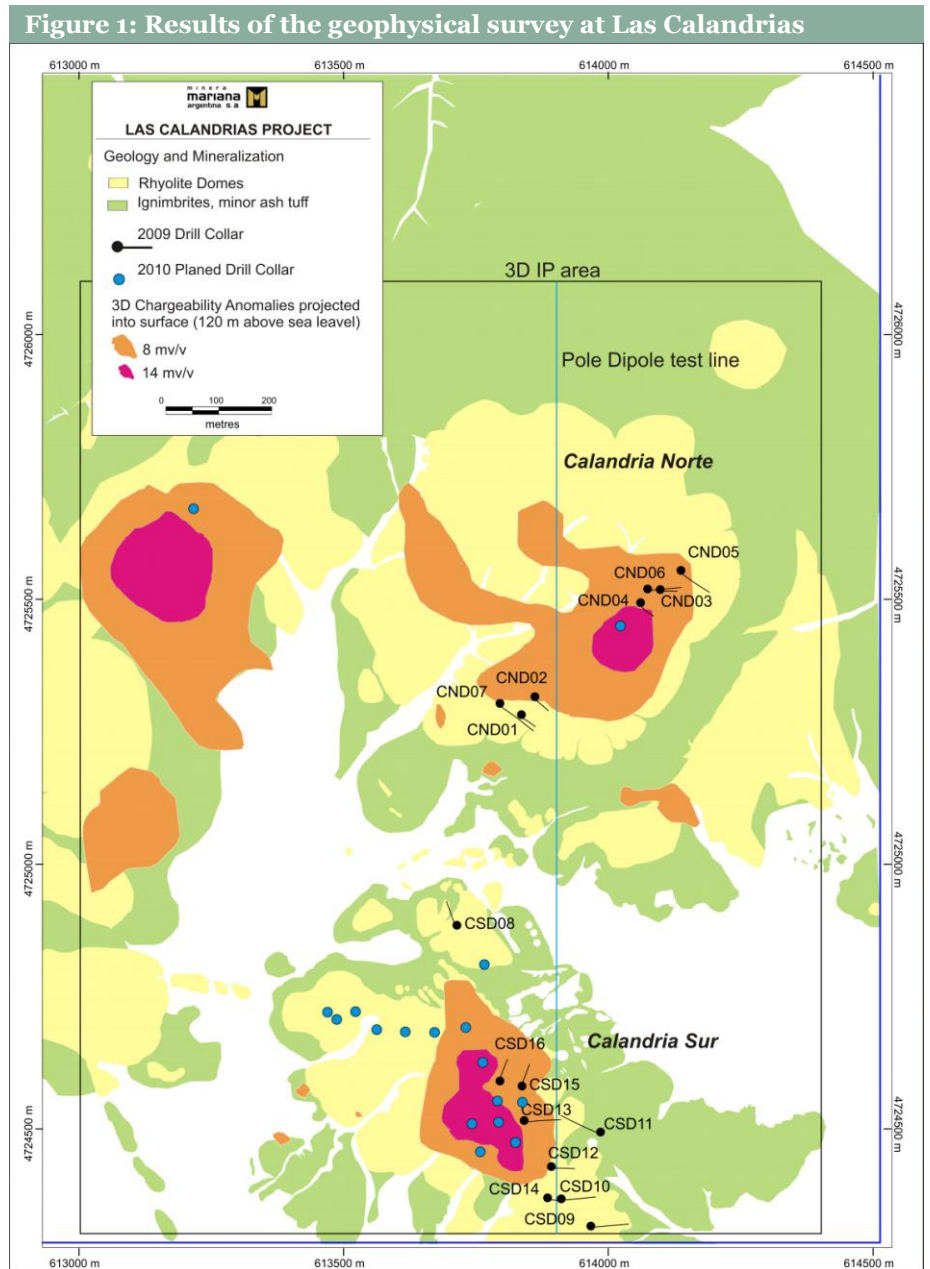
► **Valuation** Although there may appear to be significant grounds for raising our current 19 pence per share valuation, exploration is a high risk game and not a suitable investment for widows and orphans. We have opted to wait until the drill results are released before considering an increase in our valuation.

## Forecasts (£000s)

Dec	2007A	2008A	2009E	2010E
<b>Data</b>				
Sales	-	-	-	-
EBITDA	(1,571)	(1,889)	(1,578)	(1,800)
PTL	(1,495)	(1,813)	(1,553)	(1,750)
LPS	(4.1p)	(3.3p)	(1.3p)	(1.4p)
<b>Ratios</b>				
EV/sales	-	-	-	-
EV/EBITDA	(1.5)	(2.6)	(12.7)	(11.2)

The hunt for hydrothermal breccias continues

Though admittedly the results of the geophysical survey came later than we initially thought in our last update in November, we think that they are worth the wait. The Induced Polarisation (IP) geophysical survey in Figure 1 has improved the definition of the footprint of rhyolite domes so that drill targets can be optimally positioned. Though it doesn't necessary follow that the more enriched sulphide areas, highlighted in pink, also carry gold-rich hydrothermal breccia mineralisation, we think that the potential is worth the cost of finding out.



Source: Mariana Resources

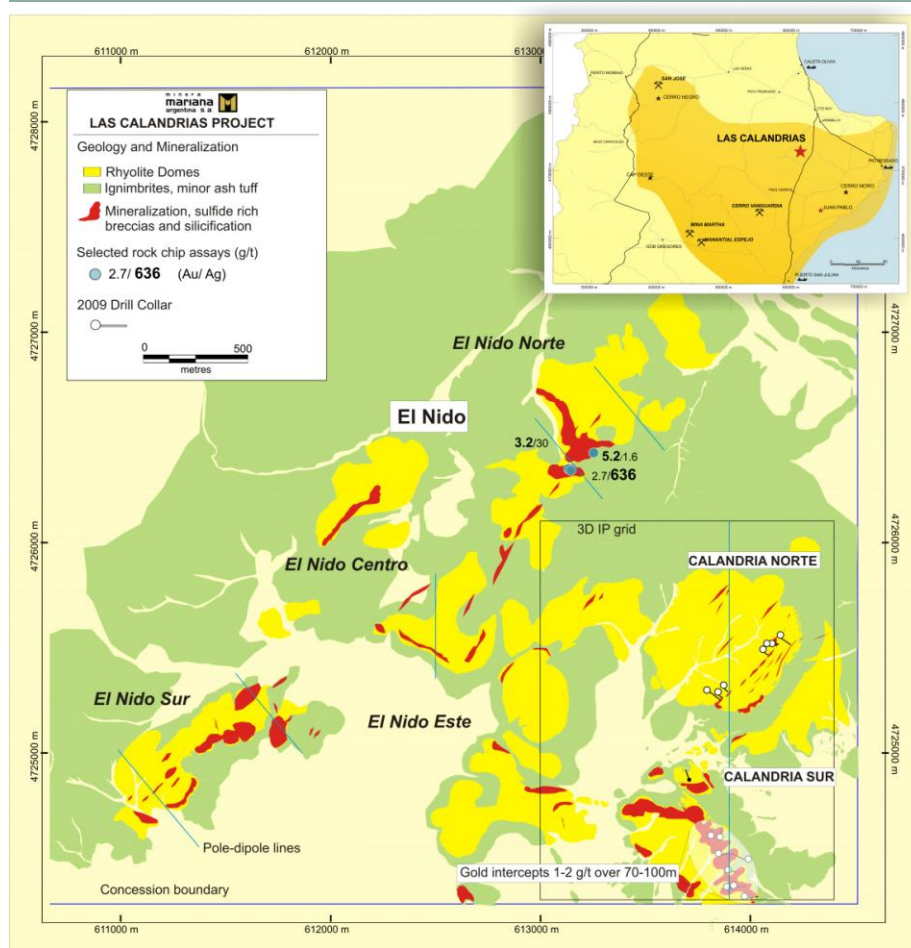
At Calandria South, our acid test for exploration success is for drilling to encounter more hydrothermal brecciated zones. Arguably the best hole from last year's initial drilling was CDS15 which cut 91 metres at 1.6g/t gold starting 3.5

metres from surface. With the system being practically on surface the grades can afford to be low. More importantly for us is that the mineralisation of the hydrothermal breccia needs to be continuous, as it has demonstrated to be so far, to compensate for the low grades and keep the waste zones in any potential future open pit to a minimum.

The bigger exploration picture revealed for the first time

Over the last 6 months, the company has undertaken extensive geological mapping guided by high resolution satellite images, geochemical and grab sampling. The data from this programme was then compiled to produce Figure 2. This informative map reveals much on the potential of the region to yield a 1 million ounce-plus near-surface gold resource and the amount of work in its creation is acknowledged.

Figure 2: The exploration potential of Las Calandrias



Source: Mariana Resources

Arguably the most important breakthrough is that Calandrias North and South are part of a much larger geological system consisting of a large family of rhyolite domes at El Nido (El Nido = nest). Of significance is that the same indications led to the discovery at Calandria South and this increases our confidence that more gold is waiting to be discovered elsewhere within the licence area. We think these regional targets would more likely be drill-tested during the next drill campaign in Q3/Q4 2010.

## Financials

<b>Table 1: Income statement</b>				
£000s	2007A	2008A	2009E	2010E
Revenue	--	--	--	--
Operating costs	--	--	--	--
Admin	(8,293)	(1,266)	(979)	(1,200)
Share based payments	(72)	--	(100)	(100)
Impairments	(670)	(607)	(500)	(500)
Net operating expenses	(1,571)	(1,873)	(1,579)	(1,800)
<b>Operating loss</b>	<b>(1,571)</b>	<b>(1,873)</b>	<b>(1,579)</b>	<b>(1,800)</b>
Net interest	76	60	25	50
<b>Loss before tax</b>	<b>(1,495)</b>	<b>(1,813)</b>	<b>(1,554)</b>	<b>(1,750)</b>
Tax	--	--	--	--
<b>Loss after tax</b>	<b>(1,495)</b>	<b>(1,813)</b>	<b>(1,554)</b>	<b>(1,750)</b>
Loss per share (pence)	(4.1)	(3.3)	(1.3)	(1.4)

Source: FinnCap

<b>Table 2: Balance sheet</b>				
£000s	31-Dec-07	31-Dec-08	31-Dec-09	31-Dec-10
<b>Non current assets</b>				
Intangible assets	1,478	1,833	2,533	4,033
Tangible assets	102	102	102	102
	<b>1,579</b>	<b>1,935</b>	<b>2,635</b>	<b>4,135</b>
<b>Current assets</b>				
Debtors	52	42	52	62
Cash at bank and in hand	1,501	172	1,523	(1,722)
	<b>1,553</b>	<b>214</b>	<b>1,575</b>	<b>(1,660)</b>
<b>Creditors</b>				
Amounts due within one year	(6)	(126)	(111)	(96)
<b>Net current assets</b>	<b>1,559</b>	<b>339</b>	<b>1,686</b>	<b>(1,564)</b>
<b>Net assets</b>	<b>3,138</b>	<b>2,274</b>	<b>4,320</b>	<b>2,570</b>
<b>Equity</b>				
Share capital	5	5	12	12
Share premium	4,936	5,896	9,489	9,489
Other reserves	92	92	92	92
Loss from income statement	(1,906)	(3,719)	(5,273)	(7,023)
<b>Total Equity</b>	<b>3,127</b>	<b>2,274</b>	<b>4,320</b>	<b>2,570</b>

Source: FinnCap

<b>Table 3: Cash flow</b>				
£000s	2007A	2008A	2009E	2010E
Operating cash outflow	(1,418)	(1,873)	(1,579)	(1,800)
<b>Non cash items</b>				
Debtors	(28)	(10)	(10)	(10)
Creditors	(121)	(120)	15	15
Impairment	670	607	500	500
Return on investments	76	60	25	50
Capex and exploration investment	(1,210)	(963)	(1,200)	(2,000)
<b>Cash out flow before liquid resources &amp; financing</b>	<b>(2,031)</b>	<b>(2,299)</b>	<b>(2,249)</b>	<b>(3,245)</b>
Management of liquid resources	(475)	--	--	--
Financing	1,040	969	3,600	--
<b>Net decrease in cash in the year</b>	<b>(1,465)</b>	<b>(1,329)</b>	<b>1,351</b>	<b>(3,245)</b>
Cash at beginning of year	2,491	1,501	172	1,523
<b>Cash at end of year</b>	<b>1,501</b>	<b>172</b>	<b>1,523</b>	<b>(1,722)</b>

Source: FinnCap

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