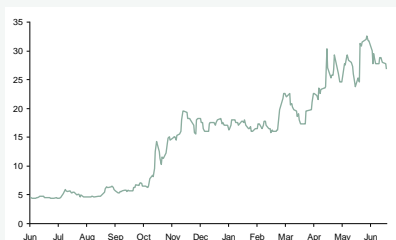


23 June 2010

Code	MARL
Price	28p
Market Cap	£44 million
Year End	31 December
Cash	US\$11 million
Shares in Issue	158 million
Next Results	Interims: September

Share price Performance



Source: Fidessa

Company Description

Gold and base metals exploration in Latin America

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Exploration at its bonanza best

Mariana Resources is in the process of raising £6.75 million by issuing 24.1 million new shares. Undertakings have been given by institutional investors for the entire placement at 28 pence per share. The majority of the proceeds will be used to advance its 100 per cent owned Las Calandrias gold exploration project in Patagonia, Argentina which has been the subject of considerable exploration success this year. Based on our assessment of the economic potential of Las Calandrias, we increase our valuation to 41 pence per share.

► **Calandria Norte steals the show.** We think that the enlarged mineralised footprint at Calandria Sur, proved up by the recent drilling campaign, has the potential to contain up to 500,000 ounces of low grade, bulk tonnage mineralisation. But our re-rating of the shares is primarily due to the bonanza gold grades encountered at Calandria Norte, located 700 metres away. Although only two ore grade holes have been drilled so far, we believe that Calandria Norte has the potential to become the standout discovery at Las Calandrias. The next round of drilling at the end of Q3 will follow a more extensive 3D IP geophysical survey over the entire Las Calandrias project area.

► **Drilling at Sierra Blanca starts in Q4.** While news flow from the gold discoveries at Las Calandrias has captured investor attention, progress at the Sierra Blanca silver-gold project has been quietly unfolding. The potential for a silver-gold discovery could materialise later this year.

► **Joint venture in Chile gives a significant credibility boost.** We view the decision to joint venture the entire Chile exploration division with Cliffs Natural Resources as an excellent way of unlocking the potential value of this world class exploration ground while maintaining shareholder exposure in the event of a discovery. We expect the joint venture to be finalised shortly.

► **Potential upside from El Nido drilling not included in our valuation.** To date, assay results from one out of two holes at El Nido Este and from one out of three holes at El Nido Norte have been published. Both prospects are located 2km from Calandria Sur. Should assays from any of the remaining holes result in a discovery at either prospect, we would consider it material to our valuation and revise it accordingly. For now, we believe that 41 pence is a realistic aspiration for the shares and we expect this to be achieved towards the end of this year.

Forecasts (£000s)

31 Dec	2007A	2008A	2009A	2010E
Data				
Sales	--	--	--	--
EBITDA	(1,571)	(2,220)	(1,294)	(2,000)
PTL	(1,495)	(2,163)	(1,292)	(1,950)
LPS	(4.1)	(4.2)	(1.4)	(1.6)
Ratios				
EV/sales	--	--	--	--
EV/EBITDA	(1.5)	(2.6)	(12.7)	(17.6)

Valuation

Pricing in exploration success

In our Las Calandrias ‘discovery’ note in November 2009, we valued Mariana Resources at 19 pence per share but said at the time that this did not include the potential upside from subsequent drilling in H1 2010. With the results from this drilling campaign now known, except for the last 5 holes, we are increasing our valuation to 41 pence per share to reflect, not only our current view of a likely resource size at Calandria Sur where most of the drilling has been focused, but also the potential upside at the newly discovered bonanza gold mineralisation at Calandria Norte.

Table 1: Share price valuation for Las Calandrias

Share price (pence)	Valuation per ounce in situ (US\$)					
	100	125	150	175	200	
500,000	23	28	34	40	45	
600,000	27	34	41	48	54	
Potential resource size (ounces Au)	700,000	32	40	48	56	63
	800,000	36	45	54	63	73
	900,000	41	51	61	71	82
	1,000,000	45	57	68	79	91

Source: FinnCap

In addition to our estimate of 500,000 ounces of gold at Calandria Sur, we are also valuing an initial 100,000 ounces of gold at Calandria Norte. The exceptionally high gold and silver grades from two holes recently drilled at Calandria Norte lead us to believe that the final resource endowment here will be considerably more than this, but feel that factoring in an initial 100,000 ounces at this stage is fair.

Risk and reward

Our peer group in Tables 2 and 3 all have gold and silver projects located inside the state government defined Area of Special Interest for Mining in the Deseado Massif plateau. When assessed against this peer group on an EV per ounce in situ metric, we think that the valuation of Mariana Resources in Table 2 looks attractive, particularly as we believe little value is currently being given for the potential upside to the discovery at Calandria Norte.

Table 2: Current valuation of Mariana Resources versus Patagonia Gold

Company	AIM Ticker	Share price (pence)	Total attributable resource (oz Au eq.)	Enterprise value (USD million)	EV/resource oz (USD)
Mariana Resources	MARL	27	500,000*	53	105
Patagonia Gold	PGD	15	891,001	130	146

Source: FinnCap

*FinnCap estimate of initial resource at Calandria Sur

Table 3: Current valuation of TSX peer group

Company	TSX Ticker	Share price (CAD)	Total attributable resource (oz Au eq.)	Enterprise value (USD million)	EV/resource oz (USD)
Andean Resources	AND	2.96	3,240,388	1,275	393
Extorre Gold Mines	XG	2.82	1,002,000	180	179
Minera Andes	MAI	0.87	850,390	208	245

Source: FinnCap

With the exception of Mariana Resources, the flagship projects for all companies in the above tables have been de-risked from a metallurgical perspective. For Las Calandrias, preliminary metallurgical test work for Calandria Sur will commence shortly and we anticipate an initial resource estimate in Q4. Once the resource estimate is completed and, assuming that the results of the initial metallurgical test work are positive, we would expect the EV per resource ounce metric to increase beyond \$150.

Valuation of Sierra Blanca and Chile joint venture kept under review

Our valuation of Mariana Resources continues to be based entirely on Las Calandrias. But we acknowledge that the company's other projects have the potential to become material in future. Specifically, these are the Sierra Blanca silver-gold project, the Los Amigos joint venture with Hochschild and the pending joint venture with Cliffs Natural Resources.

Of these secondary projects, we think that Sierra Blanca has the most near term potential to become material with a drilling campaign starting in Q4. In Chile, the joint venture with Cliffs Natural Resources increases the potential for a major copper discovery, but a substantial amount of geophysics needs to be carried out and interpreted before drill targets can be determined. Based on this assessment of these aforementioned projects, we are keeping our valuation under review until news flow provides a catalyst for a material re-rating.

Site visit confirms potential of Las Calandrias

Kicking the rocks

Having inspected the exploration ground at Las Calandrias, we see the initial results from Calandria Norte as a precursor for further exploration success when drilling starts again towards the end of Q3. We were impressed by the unusually good geological visibility provided by the breccia-hosted mineralisation.

Calandria Norte stealing the show from Calandria Sur

Located 700 metres north of the low grade, bulk tonnage mineralisation of Calandria Sur, the Calandria Norte prospect was previously considered a question mark as assays from initial holes drilled last year proved inconclusive. But we believe that the bonanza gold intersections announced on 26 May and shown in Table 4 transformed investor perception of Calandria Norte and, indeed, of Las Calandrias itself.

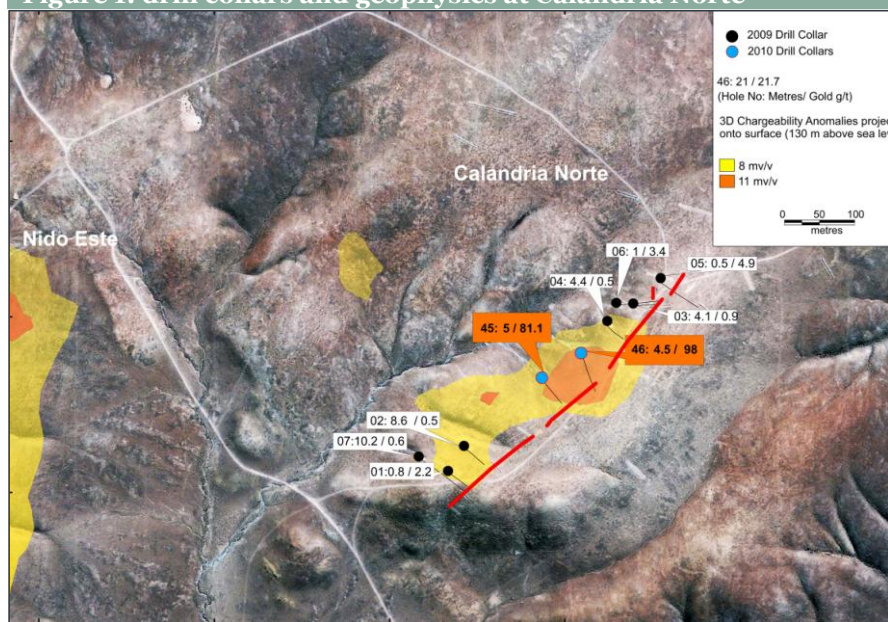
Table 4: Latest drill results for Calandria Norte

Hole id	Depth from (m)	Depth to (m)	Core length (m)	Gold (g/t)	Silver (g/t)
CND45	92.5	97.5	5.0	81	76
<i>including</i>	<i>93.5</i>	<i>94.5</i>	<i>1.0</i>	<i>348</i>	<i>312</i>
CND46	81.5	86	4.5	98	72
<i>including</i>	<i>83.9</i>	<i>84.7</i>	<i>0.75</i>	<i>443</i>	<i>307</i>

Source: Mariana Resources

The two holes, drilled 70 metres apart in the core of an IP chargeability anomaly, were the only holes drilled during this year's campaign as attention focused on proving up the low grade, bulk tonnage mineralisation discovered at Calandria Sur. Importantly, the drill results showed that the high grade zone is surrounded by a lower grade 'envelope' with a grade averaging between 0.5 and 1 g/t. We think this bodes well for a future open pit optimisation at Calandria Norte as the more gold mineralisation encountered within the peripheral breccia zone, the lower the waste to ore strip ratio is likely to be.

Figure 1: drill collars and geophysics at Calandria Norte

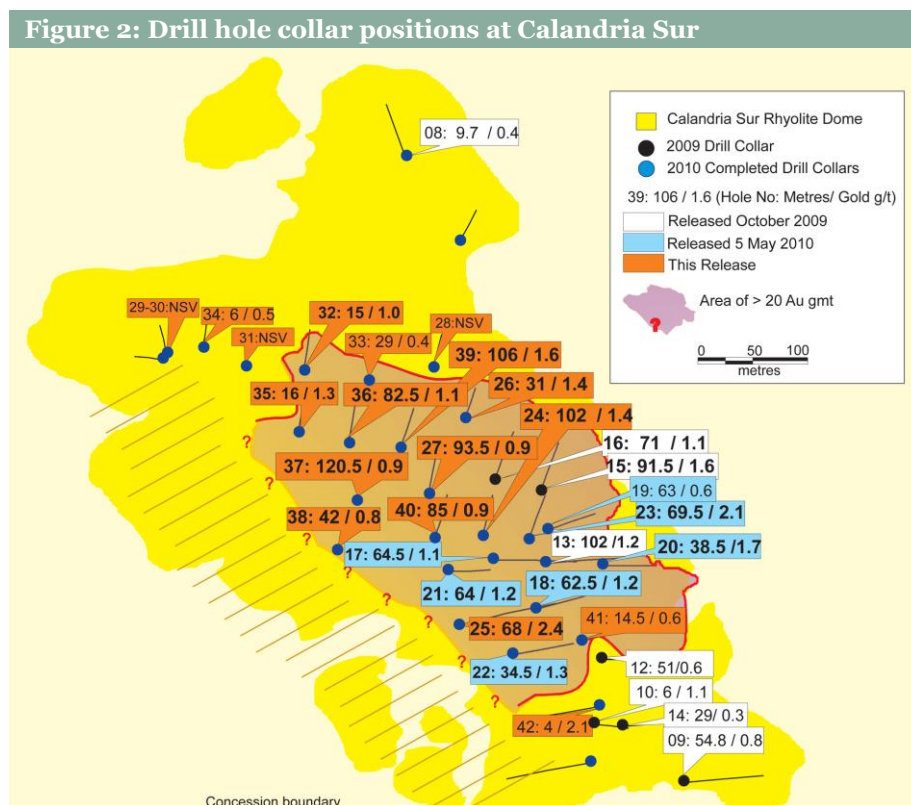


Source: Mariana Resources

We expect Calandria Norte to be the main focus of the next drill campaign starting in Q3. The fact that both aforementioned holes intersected similar bonanza gold mineralisation, despite being collared 70 metres apart, suggests to us that the entire 450 metre strike length could be prospective. If this turns out to be the case, then Calandria Norte will eclipse Calandria Sur as the most prolific discovery at Las Calandrias.

Potential for half a million ounces of gold at Calandria Sur

Our assumed resource of 500,000 ounces of gold at Calandria Sur is based on the dimensions of the current known mineralised footprint. The drilling completed to date will form the basis of an independently derived resource statement which is expected to be complete in Q4. The mineralisation remains open to the south west.



Source: Mariana Resources

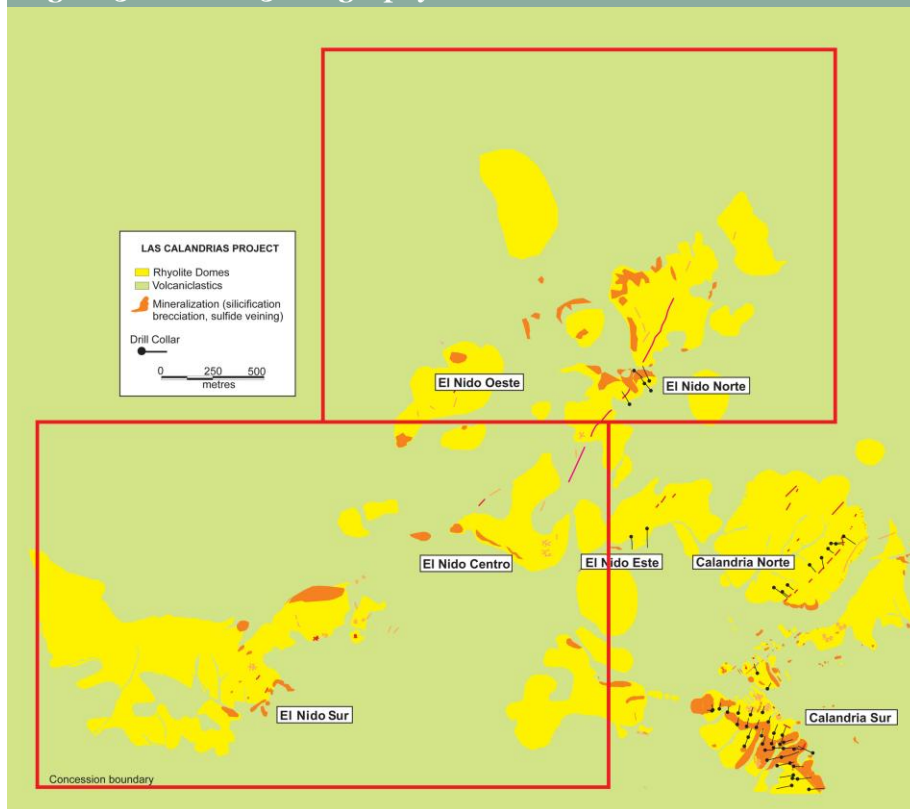
The company also intends to begin a preliminary study of the metallurgy of Calandria Sur to determine gold recoveries. We expect the results of this study to be published at the beginning of Q4. Meanwhile, a characterisation study of a composite sample from last year's drilling indicated that most of the gold is associated with sulphides.

In light of Calandria Sur's low grade, bulk tonnage characteristics, we consider the results of the metallurgical programme to be particularly significant for the economic case for development. If the results show a reasonable (say >80 per cent) recovery for gold, we believe that the in situ per ounce valuation could increase to above \$150.

Extending the rhyolite dome family

Mariana Resources has found that the 3D IP technique at Las Calandrias can detect concealed disseminated and stockwork sulphide bodies that host gold mineralisation at Calandrias Sur and Norte.

Figure 3: Planned 3D IP geophysics at Las Calandrias



Source: Mariana Resources

Consequently, the results of the initial 3D IP survey were effective in optimising the drill targets, with notable success at Calandria Norte. Geological mapping and prospecting also revealed the large El Nido family of rhyolite domes, to be more extensive than previously thought, as shown in Figure 3. The next 3D IP survey, to be undertaken in August, will aim to explore the expanded El Nido area for further blind mineralisation. We expect the results of this survey to be published in Q3, before the next drilling campaign.

Sierra Blanca off the back burner

While news flow from the multiple gold discoveries at Las Calandrias has captured investor attention, progress at the Sierra Blanca silver gold project has been quietly unfolding in the background. A geophysical survey was completed in May to optimise targets for the forthcoming drilling campaign scheduled to begin in Q4 along the 4km long Veta Chala – Lucila trend and, in particular, the 1.5km Veta Chala trend where blind mineralisation may be present. The company originally planned to drill test this area in 2009 but in the meantime, Las Calandrias assumed priority.

In November 2009, Mariana Resources announced that it had secured an option to acquire the remaining 30 per cent of Sierra Blanca from IAMGOLD. The option

may be exercised within a two year period by paying \$1 million, half in cash and the remainder in shares.

As we discussed in our initiation note on Mariana Resource in November 2008, the discovery potential at Sierra Blanca remains significant. But we continue to place our valuation under review until the results of the drilling are known in Q4.

Chile joint venture a significant credibility boost

In Chile, the joint venture with Cliffs Natural Resources is close to being finalised following a Letter of Intent signed on 14 April. Under this joint venture, the two companies will explore for large IOCG (Iron Oxide Copper Gold) deposits over a 900km long corridor located in the prospective Atacama Fault Zone.

Under the terms of the joint venture, which Mariana Resources will initially operate, Cliffs Natural Resources can earn a 70 per cent interest by spending US\$3 million on the project area inside a 3 year period. If after this point, a significant discovery is made, Mariana Resources could elect to be diluted to below 10 per cent which would trigger a 2 per cent net smelter royalty, or fund expenditure on a pro-rata basis.

To be clear, it was Cliffs Natural Resources that sought out Mariana Resources for the joint venture, not vice versa as is usually the case. We believe that the recent inconclusive drill results at Perro Chico and Buenaventura (both projects are included in the joint venture) will not prevent the finalisation of the joint venture as, in our view, entering Chile is part of a long term strategic move by Cliffs Natural Resources to diversify away from its core operations in North America.

Out of Ecuador

Due to ongoing geopolitical uncertainty, Mariana Resources divested all its exploration assets in Ecuador during 2009 and no longer has any interests in the country.

Financials

Table 5: Income statement				
£000s	2007A	2008A	2009A	2010E
Revenue	--	--	--	--
Operating costs				
Admin	(901)	(887)	(929)	(1,500)
Impairments	(670)	(1,333)	(365)	(500)
Net operating expenses	(1,571)	(2,220)	(1,294)	(2,000)
Operating loss	(1,571)	(2,220)	(1,294)	(2,000)
Net interest	76	57	1	50
Loss before tax	(1,495)	(2,163)	(1,292)	(1,950)
Tax	--	--	--	--
Loss after tax	(1,495)	(2,163)	(1,292)	(1,950)
FX differences on foreign transactions	--	384	111	--
Total comprehensive loss for year	(1,495)	(1,779)	(1,182)	(1,950)
FD loss per share (pence)	(4.1)	(4.2)	(1.4)	(1.6)

Source: FinnCap

Table 6: Balance sheet				
£000s	2007A	2008A	2009A	2010E
Fixed assets				
Intangible assets	1,478	2,067	2,924	7,374
Tangible assets	102	101	102	252
	1,579	2,168	3,026	7,626
Current assets				
Debtors	52	294	420	430
Cash at bank and in hand	1,501	748	2,577	3,267
	1,553	1,042	2,996	3,696
Creditors				
Amounts due within one year	6	95	106	121
Provisions	0	34	42	42
	6	129	147	162
Net current assets	1,547	913	2,849	3,534
Net assets	3,127	3,082	5,875	11,160
Equity				
Share capital	5	7	13	15
Share premium	4,936	6,404	10,417	17,649
Other reserves	92	739	807	807
Loss from income statement	(1,906)	(4,069)	(5,361)	(7,311)
Total Equity	3,127	3,082	5,875	11,160

Source: FinnCap

Table 7: Cash flow				
£000s	2007A	2008A	2009A	2010E
Loss after tax	(1,495)	(2,163)	(1,292)	(1,950)
Depreciation	25	16	22	50
Share-based payments	72	263	186	--
FX loss (gain)	--	--	136	--
Debtors	(28)	(243)	(125)	(10)
Creditors	(121)	123	18	15
Impairments	924	1,333	365	500
Cash flow from operations	(623)	(671)	(691)	(1,395)
Net PPE (additions) disposals	(29)	(18)	(20)	(150)
Exploration payments	(1,407)	(1,655)	(1,318)	(5,000)
Cash flow from investments	(1,436)	(1,673)	(1,338)	(5,150)
Net proceeds from issuing shares	1,040	1,471	3,870	7,235*
Cash flow from financings	1,040	1,471	3,870	7,235
Net increase (decrease) in cash in the year	(1,019)	(873)	1,841	690
FX fluctuations	29	120	(13)	--
Cash at beginning of year	2,491	1,501	748	2,577
Cash at end of year	1,501	748	2,577	3,267

Source: FinnCap

* includes proceeds from latest share placement

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