



# **MARIANA RESOURCES LIMITED**

(Incorporated in Guernsey, Registered No. 44276)

## **FINANCIAL REPORT**

**Nine-months ended**

**30 September 2010**

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## **Mariana Resources Limited**

Incorporated in Guernsey Reg. No. 44276

### Quarterly Report for the nine-months ended 30 September 2010

#### *Chairman's Review*

Dear Shareholder,

Exploration over the nine months of the 2010 year has added significant value to the Company's portfolio of properties. A high level of activity has been maintained, both through Mariana's own efforts and those in partnership with joint venturers.

The increase in value is largely thanks to continuing exploration success at the 100% owned Las Calandrias project in the Deseado Massif in Southern Argentina. At the time of writing, the Deseado Massif is very much in the market spotlight, vindicating Mariana's strong belief in the region as a place where junior explorers can add wealth for shareholders through discovery.

Over a period of just 12 months, Las Calandrias has moved rapidly from a grass roots prospect within Mariana's extensive Santa Cruz portfolio to the stage where we have commenced follow up drilling over the two exceptional bonanza grade gold-silver intersections at Calandria Norte and proceeded to the resource drilling at Calandria Sur disseminated gold-silver deposit.

The Company has commenced preliminary metallurgical testing of Calandria Sur mineralisation with results anticipated early 2011.

Funding to support this expenditure was achieved with a £6.75 million capital raising in June which was well supported by major shareholders and allowed the introduction of large new investors. These funds have paved the way for the current 10,000m drill programme, the prime target of which includes extension to the vein-breccia bonanza gold-silver intersections at Calandria Norte (among the best encountered to date in the Deseado Massif).

In parallel with the follow up drilling, intensive exploration of the entire 11km<sup>2</sup> rhyolite dome field is well underway. This includes geophysics (magnetics, 3D IP), geochemistry and geological mapping. It is anticipated that new targets will be generated from this work. It is also becoming quite clear that we are dealing with a much larger volcanic system at Las Calandrias than was contemplated at the end of 2009. Exploration to date has essentially focussed on just two rhyolite domes. Preliminary indications are that several other domes may be equally prospective for multiple mineralised zones, both bonanza vein-breccia and breccia-hosted disseminated style. With just 53 holes drilled by the end of May 2010, these are early days when compared to most advanced projects in Santa Cruz. Nevertheless, a key objective of the current drilling is to achieve a maiden resource around Q1/Q2 2011.

In Argentina, Mariana's focus is obviously Las Calandrias but work is ongoing at other key projects in the Deseado Massif including the Sierra Blanca Joint Venture (Mariana 70%, IAMGOLD 30%) with drilling of silver-gold targets planned for Q1 2011 and Los Amigos (Mariana 49%, Hochschild Mining 51%) with drill target definition work progressing. Further north at La Borita, in Catamarca Province, Mariana scout drilled a concealed porphyry copper target in Q4 2010 (option to acquire 100%).

In Chile, the Mariana-Cliffs Natural Resources Joint Venture is in full swing with drilling at the Buenaventura IOCG project and evaluation of new properties in progress. Meanwhile, Mariana continues to assess quality opportunities in areas away from the Joint venture area

in its own right.

Greater quantities of capital will be required for Mariana to advance the present discoveries and reveal the potential of Las Calandrias and with this in mind Mariana is looking at alternative funding sources. The Board has made the decision to obtain a dual listing on the TSX, particularly considering the recent successes of TSX listed companies with projects in Santa Cruz, Argentina. The intention is to achieve a dual listing before the end of Q1 2011 and the process is well under way.

This has been another outstanding three months for the Company, and the Mariana team is to be congratulated for an excellent performance. The continuing support of shareholders is also acknowledged. The future promises to be equally exciting and regular updates will be provided to shareholders as results come to hand.

### **Financial**

The Mariana group made a consolidated loss of £1,957,135 for the nine-months ended 30 September 2010 (year ended 31 December 2009: £1,292,421). At 30 September 2010 Mariana had cash and cash equivalents of £6,728,696.

Post the balance sheet date of this report, Mariana Resources Limited issued, on the 9th December 2010, 20 million ordinary shares at a price of £0.40, to raise £8 million to further finance ongoing exploration projects, and provide working capital for other company costs.

Cash on hand at the end of December 2010 is around £11.2 million which leaves Mariana in a strong cash position to embark on its work programme for 2011.

On behalf of the Board,

J. R. Horsburgh  
Chairman  
5 January 2011

Mariana Resources Limited and its controlled entities.

**Consolidated Statement of Comprehensive Income for the nine-months ended 30 September 2010**

	<b>Nine-months ended 30 September 2010</b>	<b>Half-year 30 June 2010</b>	<b>Full year 31 December 2009</b>
	Unaudited £	Unaudited £	Audited £
Revenue	45,878	70	1,243
Employee benefits expense	(984,099)	(480,891)	(371,377)
Depreciation expense	(19,926)	(12,423)	(21,814)
Professional services expense	(267,863)	(174,975)	(211,838)
Impairment of deferred exploration costs	-		(364,543)
Exchange losses	(245,654)	(150,431)	(135,834)
Other expenses	(485,471)	(233,425)	(188,258)
<b>Loss before Tax</b>	<b>(1,957,135)</b>	<b>(1,052,075)</b>	<b>(1,292,421)</b>
Tax	-	-	-
<b>Loss for the year</b>	<b>(1,957,135)</b>	<b>(1,052,075)</b>	<b>(1,292,421)</b>
Other comprehensive income:			
Exchange differences on translation of foreign operations	6,799	110,756	110,537
<b>Total comprehensive income for the year</b>	<b>1,950,336</b>	<b>(941,319)</b>	<b>(1,181,884)</b>
	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
<b>Loss per share – basic and diluted</b>	<b>(1.4)</b>	<b>(0.8)</b>	<b>(1.4)</b>

Mariana Resources Limited and its controlled entities.

**Consolidated Statement of Financial Position at 30 September 2010**

	<b>30 September 2010</b>	<b>30 June 2010</b>	<b>31 December 2009</b>
	Unaudited	Unaudited	Audited
	£	£	£
<b>NON-CURRENT ASSETS</b>			
Deferred exploration costs	5,251,652	4,237,527	2,924,144
Property, plant and equipment	390,290	158,486	101,750
<b>Total non-current assets</b>	<u>5,641,942</u>	<u>4,396,013</u>	<u>3,025,894</u>
<b>CURRENT ASSETS</b>			
Other receivables and pre-payments	895,555	6,268,133	419,515
Cash and cash equivalents	6,728,696	3,321,619	2,576,729
<b>Total current assets</b>	<u>7,624,251</u>	<u>9,589,752</u>	<u>2,996,244</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	1,232,765	1,558,580	105,746
Provisions	270,046	55,572	41,598
<b>Total current liabilities</b>	<u>1,502,811</u>	<u>1,614,152</u>	<u>147,344</u>
<b>NET CURRENT ASSETS</b>	<u>6,121,440</u>	<u>7,975,600</u>	<u>2,848,900</u>
<b>NET ASSETS</b>	<u>11,763,382</u>	<u>12,371,613</u>	<u>5,874,794</u>
<b>EQUITY</b>			
Issued share capital	15,908	15,869	12,823
Share premium account	17,648,425	17,611,595	10,416,847
Other reserves	1,417,574	1,157,614	806,514
Accumulated losses	(7,318,525)	(6,413,465)	(5,361,390)
<b>TOTAL EQUITY</b>	<u>11,763,382</u>	<u>12,371,613</u>	<u>5,874,794</u>

Mariana Resources Limited and its controlled entities.

**Consolidated Statement of Changes in Equity for the nine-months ended 30 September 2010**

	Share capital and premium £	Share based payments reserve £	Foreign currency translation losses £	Accumulated losses £	Total £
Balance at 31 December 2007	4,940,371	71,600	20,682	(1,905,909)	3,126,744
Issue of share capital	874,287				874,287
Share based payments		214,726			214,726
Foreign Exchange losses			(17,430)		(17,430)
Net loss for the period				(970,009)	(970,009)
Balance at 30 June 2008	5,814,658	286,326	3,252	(2,875,918)	3,228,318
Issue of share capital	596,611				596,611
Share based payments		47,891			47,891
Foreign Exchange gains/(losses)			401,754		401,754
Net loss for the period				(1,193,051)	(1,193,051)
Balance at 31 December 2008	6,411,269	334,217	405,006	(4,068,969)	3,081,523
Issue of share capital	1,052,236				1,052,236
Foreign Exchange gains/(losses)			(325,142)		(325,142)
Share based payments		29,487			29,487
Net loss for the period				(390,016)	(390,016)
Balance at 30 June 2009	7,463,505	363,704	79,864	(4,458,985)	3,448,088
Issue of share capital	2,966,165				2,966,165
Share based payments		156,600			156,600
Foreign Exchange gains/(losses)			206,346		206,346
Net loss for the period				(902,405)	(902,405)
Balance at 31 December 2009	10,429,670	520,304	286,210	(5,361,390)	5,874,794
Issue of share capital	7,197,794				7,197,794
Share based payments		240,344			240,344
Foreign Exchange gains/(losses)			110,756		110,756
Net loss for the period				(1,052,075)	(1,052,075)
Balance at 30 June 2010	17,627,464	760,648	396,966	(6,413,465)	12,371,613
Issue of share capital	36,869				36,869
Share based payments		363,917			363,917
Foreign Exchange gains/(losses)			(103,957)		(103,957)
Net loss for the period				(905,060)	(905,060)
Balance at 30 September 2010	17,664,333	1,124,565	293,009	(7,318,525)	11,763,382

Mariana Resources Limited and its controlled entities.

**Consolidated Statement of Cash Flows for the nine-months ended 30 September 2010**

	<b>Nine-months ended 30 September 2010</b>	<b>Half-year 30 June 2010</b>	<b>Full year 31 December 2009</b>
	Unaudited £	Unaudited £	Audited £
<b>Cash flow from operating activities</b>			
Payments to suppliers & employees	(1,931,793)	(1,123,101)	(692,091)
Interest received	1,486	70	1,243
	<hr/>	<hr/>	<hr/>
<b>Net cash used in operating activities</b>	<b>(1,930,307)</b>	<b>(1,123,031)</b>	<b>(690,848)</b>
<b>Cash flow from investing activities</b>			
Payments for purchase of property, plant & equipment	(308,466)	(69,158)	(20,063)
Payments for exploration expenditure	(1,911,205)	(1,089,157)	(1,317,966)
Proceeds from joint venture partner	1,067,282	894,230	-
	<hr/>	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	<b>(1,152,389)</b>	<b>(264,085)</b>	<b>(1,338,029)</b>
<b>Cash flow from financing activities</b>			
Proceeds from issue of share capital	7,234,663	2,132,006	3,870,201
<b>Net cash flow from financing activities</b>	<hr/> <b>7,234,663</b>	<hr/> <b>2,132,006</b>	<hr/> <b>3,870,201</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<hr/> <b>4,151,967</b>	<hr/> <b>774,890</b>	<hr/> <b>1,841,324</b>
Effect of exchange rate fluctuations on cash held	-	-	(12,593)
Cash and cash equivalents at the beginning of the period.	<hr/> <b>2,576,729</b>	<hr/> <b>2,576,729</b>	<hr/> <b>747,998</b>
<b>Cash and cash equivalents at the end of the period</b>	<hr/> <b>6,728,696</b>	<hr/> <b>3,321,619</b>	<hr/> <b>2,576,729</b>

**Mariana Resources Limited and its controlled entities.**

**Notes to the Consolidated Financial Statements for the nine-months ended 30 September 2010**

**NOTE 1 General information and accounting policies**

These condensed interim financial statements are for the period 1 January 2010 to 30 September 2010.

The financial reports for the half-year ended 30 June 2010 and nine-months ended 30 September 2010 are unaudited, and do not constitute statutory accounts.

This condensed interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with any public announcements made by Mariana Resources Limited during the interim reporting period. This financial report is in compliance with International Accounting Standard (IAS) 34: Interim Financial Reporting.

**(a) Basis of preparation of the financial report**

These condensed financial statements have been prepared under the historical cost convention. The same accounting policies and methods of computation are followed in the financial report as for the last annual financial report

**(b) Basis of consolidation**

The consolidated condensed financial statements incorporate the assets and liabilities of all entities controlled by Mariana Resources Limited and the results of all controlled entities for the period. Mariana Resources Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

**(d) Earnings per share**

*Basic earnings per share*

Basic earnings per share is determined by dividing net loss after income tax attributable to members by the weighted average number of ordinary shares outstanding during the financial period.

*Diluted Earnings per Share*

As the company incurred a loss for the nine-months, basic earnings per share and diluted earnings per share are the same.

## **NOTE 2 SEGMENT INFORMATION**

The consolidated entity operates predominantly in the mineral exploration industry, in Argentina and Chile.

## **NOTE 3 ISSUED CAPITAL**

The total number of ordinary shares of .01 pence on issue at 30 September 2010 was 158,478,763 (31 December 2009: 104,494,235). Movements in issued shares during the nine-months were:

Issued shares at 31 December 2009	128,228,235
Issued during the half-year following exercise of options	5,758,385
Placement at 28 pence per share June 2010	24,107,143
Issued shares at 30 June 2010.	158,093,763
Issued shares during the quarter	385,000
Issued shares at 30 September 2010	158,478,763

## **NOTE 4 OPTIONS**

At 30 September 2010 the company had 13,540,500 options on issue (31 December 2009: 13,540,500), each of which entitles the holder to receive on exercise, one ordinary share in the company. Movements in options during the nine-months were:

Outstanding at 31 December 2009	13,300,348
Issued during the half-year	2,945,000
Exercised, expired or cancelled during the half-year	5,859,057
Outstanding at 30 June 2010.	10,386,291
Issued during the quarter	4,220,000
Exercised, expired or cancelled during the quarter	1,065,791
Outstanding at 30 September 2010	13,540,500

## **NOTE 5 RELATED PARTY TRANSACTIONS**

In July 2010, employees exercised 235,000 options consisting of:

- 20,000 6p options expiring 31 May 2011
- 25,000 6p options expiring 30 January 2012
- 7,000 10p options expiring 31 August 2012
- 75,000 6p options expiring 30 October 2012
- 108,000 6p options expiring 30 June 2013

In September 2010 related party advisers exercised 666,667 options consisting of:

- 333,333 15p options expiring 31 August 2012
- 333,334 20p options expiring 31 January 2014.

During the period 164,124 employee options expired.

On 30 September 2010 the company issued 4,220,000 options to directors and employees, exercisable at 30 pence per share and expiring 31 July 2014.

## **NOTE 6 INTANGIBLE 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.

## **NOTE 7 POST BALANCE SHEET DATE EVENTS**

In October Mariana-Cliffs Natural Resources Joint Venture reached the milestone of capitalising SCMM Chile by USD \$2,000,000 triggering a 51% economic interest in the company.

On 21 October 2010, employees exercised 70,500 options consisting of:

- 33,000 15p options expiring 31 August 2012
- 37,500 20p options expiring 31 January 2014.

On 23 December 2010, an employee exercised 20,000 options consisting of:

- 20,000 10p options expiring 31 August 2012

On the 9th December 2010, Mariana Resources Limited issued 20 million ordinary shares at a price of £0.40, to raise £8 million before costs, to finance ongoing exploration projects and provide working capital for other company costs.

For news releases go to the company's web site at [www.marianaresources.com](http://www.marianaresources.com).

Signed by authority of the Board.

J. R. Horsburgh  
Chairman

GW Parsons  
Director- CFO

5 January 2011