



# **MARIANA RESOURCES LIMITED**

(Incorporated in Guernsey, Registered No. 44276)

## **FINANCIAL REPORT**

**Three-months ended**

**31 March 2011**

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## **Mariana Resources Limited**

Incorporated in Guernsey Reg. No. 44276

Quarterly Report for the three-months ended 31 March 2011

### ***Chairman's Review***

Dear Shareholder,

Exploration in Q1 2011 has seen the Company's flagship Las Calandrias project advance to the stage of resources drilling at the Calandria Sur and La Calandria discoveries as well as identifying a third mineralised zone. Furthermore, further intersections of mineralisation at the Sierra Blanca discovery, also in Santa Cruz province, Argentina will allow the company to advance potentially a second exciting gold-silver project.

Operational activity has been high, both through Mariana's own efforts and those in partnership with joint venturers. In Argentina, a third drill campaign at Las Calandrias with 212 holes and 30,000 m has been completed. There are still 22 holes with assays pending both from the Calandria Sur bulk tonnage discovery and the high La Calandria vein. There is potential to extend both these deposits in the next drill campaign. In March 2011, the company reported a discovery of a third mineralised zone at Nido Norte to the north of Calandria Norte with gold mineralisation along a 850 m strike of the 1.8km Despreciada trend.

Initial resource modeling is nearing completion by consultants MDA of Reno, Nevada having extended the study to include the La Calandria Vein. Preliminary metallurgical test work being undertaken at Metcon Laboratories in Sydney, Australia, under the supervision of Consulting Metallurgist Peter Lewis, is outlined in the NI 43101 technical report on Las Calandrias Project by MDA 24 November 2010 (see website). Test work has included Leach Well assaying, preparation of bulk composites, gravity concentration, carbon-in-leach tests and heap leaching of the oxide mineralization. Tests on primary mineralisation have included fine grinding, flotation, oxidation of the flotation concentrate and capitation of the oxidized concentrate. The final test results and report are expected in June 2011.

Targets for the next campaign commencing Q3 2011 are likely to include La Calandria Vein extensions, Nido Norte trend, untested Calandria Norte veins, Calandria Sur extensions and other untested targets.

In Chile, the Mariana-Cliffs Natural Resources Joint Venture is exploring for IOCG deposits within the JV projects as well as actively evaluating new properties. Meanwhile, Mariana continues to assess quality opportunities in areas away from the Joint venture area in its own right.

On the Corporate front John Sutcliffe stepped down as Non-Executive Director, in line with his plans to retire by 2012, and has relinquished corporate duties. However, John continues as consultant for the Company, specifically looking for opportunities that could enhance the value of Mariana.

### **Chairman's Review (continued)**

The Board has decided 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 by June 2011

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 next quarter 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 £734,893 for the three-months ended 31 March 2011 (year ended 31 December 2010: £3,544,478). At 31 March 2011 Mariana had cash and cash equivalents of £8,408,349.

On behalf of the Board,

A handwritten signature in black ink, appearing to read 'John Horsburgh', with a horizontal line underneath.

J. R. Horsburgh  
Chairman  
14 June 2011

Mariana Resources Limited and its controlled entities.

**Consolidated Statement of Comprehensive Income for the three-months ended 31 March 2011**

	<b>Three-months ended 31 March 2011</b>	<b>Full year 31 December 2010</b>	<b>Half-year 30 June 2010</b>
	Unaudited	Audited	Unaudited
	£	£	£
Revenue	10,197	61,425	70
Employee and directors benefits expense	(371,469)	(1,320,424)	(480,891)
Depreciation expense	(18,796)	(35,370)	(12,423)
Professional services expense	(77,002)	(522,864)	(174,975)
Marketing expense	(17,928)	(105,728)	(31,648)
Administrative expense	(45,083)	(166,336)	(58,010)
Travel expense	(82,196)	(195,618)	(55,637)
Occupancy expense	(7,269)	(28,667)	(11,172)
Impairment/write off of deferred exploration costs	(69,997)	(994,856)	(26,340)
Exchange losses	(370,355)	(82,020)	(150,431)
Other expenses	(87,520)	(256,407)	(50,618)
Loss on loss of control of subsidiary & discontinued operations	-	(128,878)	-
<b>Loss before Tax</b>	<b>(1,137,418)</b>	<b>(3,775,743)</b>	<b>(1,052,075)</b>
Tax	-	-	-
<b>Loss for the year</b>	<b>(1,137,418)</b>	<b>(3,775,743)</b>	<b>(1,052,075)</b>
Other comprehensive income:			
Exchange differences on translation of foreign operations	402,525	231,265	(110,756)
<b>Total comprehensive income for the year</b>	<b>(734,893)</b>	<b>(3,544,478)</b>	<b>(1,162,831)</b>
	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
<b>Loss per share – basic and diluted</b>	<b>(0.6)</b>	<b>(2.6)</b>	<b>(0.8)</b>

Mariana Resources Limited and its controlled entities.

**Consolidated Statement of Financial Position at 31 March 2011**

	<b>31 March 2011</b> Unaudited £	<b>31 December 2010</b> Audited £	<b>30 June 2010</b> Unaudited £
<b>NON-CURRENT ASSETS</b>			
Deferred exploration costs	6,834,597	4,806,544	4,237,527
Property, plant and equipment	763,064	700,728	158,486
Investment in jointly controlled entity	1,081,739	948,277	-
Other	1,712	39,306	-
<b>Total non-current assets</b>	<u>8,681,112</u>	<u>6,494,855</u>	<u>4,396,013</u>
<b>CURRENT ASSETS</b>			
Other receivables and pre-payments	1,430,029	1,024,112	6,268,133
Cash and cash equivalents	8,408,349	11,174,586	3,321,619
<b>Total current assets</b>	<u>9,838,378</u>	<u>12,198,698</u>	<u>9,589,752</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	1,204,118	582,771	1,558,580
Provisions	90,735	63,887	55,572
<b>Total current liabilities</b>	<u>1,294,853</u>	<u>646,658</u>	<u>1,614,152</u>
<b>NET CURRENT ASSETS</b>	<u>8,555,880</u>	<u>11,552,040</u>	<u>7,975,600</u>
<b>NET ASSETS</b>	<u>17,224,637</u>	<u>18,046,895</u>	<u>12,371,613</u>
<b>EQUITY</b>			
Issued share capital	18,150	17,923	15,869
Share premium account	25,544,891	25,285,098	17,611,595
Other reserves	1,936,146	1,881,007	1,157,614
Accumulated losses	(10,274,550)	(9,137,133)	(6,413,465)
<b>TOTAL EQUITY</b>	<u>17,224,637</u>	<u>18,046,895</u>	<u>12,371,613</u>

Mariana Resources Limited and its controlled entities.

**Consolidated Statement of Changes in Equity for the three-months ended 31 March 2011**

	Share Capital £	Share premium £	Share based payments reserve £	Foreign currency translation reserve £	Accum loss £	Total £
Balance at 1 July 2009	10,450	7,453,055	363,704	79,864	(4,458,985)	3,448,088
Issue of shares	2,373	2,963,792				2,966,165
Share based payment options		-	156,600			156,600
Transactions with owners	12,823	10,416,847	520,304			6,570,853
Loss for the period		-			(902,405)	(902,405)
Other comprehensive income:						
Exchange differences on translating foreign operations		-		206,346		206,346
Total comprehensive income for the year		-		206,346		
<b>Balance at 31 December 2009</b>	<b>12,823</b>	<b>10,416,847</b>	<b>520,304</b>	<b>286,210</b>	<b>(5,361,390)</b>	<b>5,874,794</b>
Balance at 1 January 2010	12,823	10,416,847	520,304	286,210	(5,361,390)	5,874,794
Issue of shares	2,986	7,194,808	-	-	-	7,197,794
Share based payment options		-	240,344	-	-	240,344
Transactions with owners	15,809	17,611,655				(1,052,075)
Loss for the period					(1,052,075)	(1,052,075)
Other comprehensive income:						
Exchange differences on translating foreign operations		-	-	110,756	-	110,756
Total comprehensive income for the year						
<b>Balance at 30 June 2010</b>	<b>15,809</b>	<b>17,611,655</b>	<b>760,648</b>	<b>396,966</b>	<b>(6,413,465)</b>	<b>12,371,613</b>
Balance at 1 July 2010	15,809	17,611,655	760,648	396,966	(6,413,465)	12,371,613
Issue of shares	2,114	7,673,443	-	-	-	7,675,557
Share based payment options		-	602,884	-	-	602,884
Transactions with owners	17,923	25,285,098				
Loss for the period		-				
Other comprehensive income:						
Exchange differences on translating foreign operations		-	-	120,509	-	120,509
Total comprehensive income for the year		-	-	-	(2,723,668)	(2,723,668)
<b>Balance at 31 December 2010</b>	<b>17,923</b>	<b>25,285,098</b>	<b>1,363,532</b>	<b>517,475</b>	<b>(9,137,133)</b>	<b>18,046,895</b>

Mariana Resources Limited and its controlled entities.

**Consolidated Statement of Changes in Equity for the three-months ended 31 March 2011  
(continued)**

	Share Capital £	Share premium £	Share based payments reserve £	Foreign currency translation reserve £	Accumulated loss £	Total £
Balance at 1 January 201	17,923	25,285,098	1,363,532	517,475	(9,137,133)	18,046,895
Issue of shares	227	259,793	-	-	-	260,020
Share based payment options	-	-	170,089	-	-	170,089
Transactions with owners	18,150	25,544,891	1,533,621	517,475	(9,137,133)	18,477,004
Loss for the period	-	-	-	-	(1,137,417)	(1,137,417)
Other comprehensive income:						
Exchange differences on translating foreign operations	-	-	-	(114,950)	-	(114,950)
Total comprehensive income for the year	-	-	-	(114,950)	-	(114,950)
<b>Balance at 31 March 2011</b>	<b>18,150</b>	<b>25,544,891</b>	<b>1,533,621</b>	<b>402,525</b>	<b>(10,274,550)</b>	<b>17,224,637</b>

Mariana Resources Limited and its controlled entities.

**Consolidated Statement of Cash Flows for the three-months ended 31 March 2011**

	<b>Three-months ended 31 March</b>	<b>Full year 31 December</b>	<b>Half-year 30 June</b>
	<b>2011 Unaudited £</b>	<b>2010 Audited £</b>	<b>2010 Unaudited £</b>
<b>Cash Flow from Operating Activities</b>			
Payments to suppliers & employees	(726,290)	(2,769,613)	(1,123,101)
Interest received	2,681	56,744	70
	<hr/>	<hr/>	<hr/>
<b>Net Cash Used in Operating Activities</b>	<b>(723,609)</b>	<b>(2,712,869)</b>	<b>(1,123,031)</b>
<b>Cash Flow from Investing Activities</b>			
Payments for purchase of property, plant & equipment	(62,336)	(642,613)	(69,158)
Payments for exploration expenditure	(2,028,053)	(3,241,008)	(1,089,157)
Proceeds from joint venture partner	-	-	894,230
Payments to joint venture partner	(133,462)	-	-
	<hr/>	<hr/>	<hr/>
<b>Net Cash Used in Investing Activities</b>	<b>(2,223,851)</b>	<b>(3,883,621)</b>	<b>(264,085)</b>
<b>Cash Flow from Financing Activities</b>			
Proceeds from issue of share capital (net of issue costs)	260,021	14,873,350	2,132,006
	<hr/>	<hr/>	<hr/>
<b>Net Cash Flow from Financing Activities</b>	<b>260,021</b>	<b>14,873,350</b>	<b>2,132,006</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
	<hr/>	<hr/>	<hr/>
	<b>(2,687,439)</b>	<b>8,276,860</b>	<b>774,890</b>
Effect of exchange rate fluctuations on cash held	(78,798)	320,997	-
Cash and cash equivalents at the beginning of the period.	11,174,586	2,576,729	2,576,729
	<hr/>	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the period</b>	<b>8,408,349</b>	<b>11,174,586</b>	<b>3,321,619</b>

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

**Notes to the Consolidated Financial Statements for the three-months ended 31 March 2011**

**NOTE 1 General information and accounting policies**

These condensed interim financial statements are for the period 1 January 2011 to 31 March 2011.

The financial reports for the half-year ended 30 June 2010 and three-months ended 31 March 2011 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**

**(i) Subsidiaries**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Control is recognised where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

**(ii) Transactions eliminated on consolidation**

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

**(iii) Business combinations**

For business combinations occurring since 1 January 2010, the requirements of IFRS 3R have been applied. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred

Mariana Resources Limited and its controlled entities.

## Notes to the Consolidated Financial Statements for the three-months ended 31 March 2011(continued)

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at the acquisition date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition date fair value of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in profit or loss immediately.

### (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 three-months, basic earnings per share and diluted earnings per share are the same.

## NOTE 2 SEGMENT INFORMATION

Management identifies the group as having three operating segments Argentina, Chile and the Head Office functions provided to the group from Guernsey and Australia. These operating segments are monitored and strategic decisions are made on this basis by the Chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors. There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

## NOTE 3 ISSUED CAPITAL

The total number of ordinary shares of .01 pence on issue at 31 March 2011 was 181,502,930 (31 December 2010: 179,235,930). Movements in issued shares during the three-months were:

Issued shares at 31 December 2010	179,235,930
Issued during the quarter following exercise of options	<u>2,267,000</u>
Issued shares at 31 March 2011.	<u>181,502,930</u>

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Mariana Resources Limited and its controlled entities.

**Notes to the Consolidated Financial Statements for the three-months ended 31 March 2011(continued)**

**NOTE 4 OPTIONS**

At 31 March 2011 the company had 14,848,000 options on issue (31 December 2010: 14,450,000), 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 30 June 2010.	10,386,291
Issued during the half year	5,220,000
Exercised, expired or cancelled during the half year	<u>(1,065,791)</u>
Outstanding at 31 December 2010	14,450,000
Issued during the quarter	2,665,000
Exercised, expired or cancelled during the half year	<u>(2,267,000)</u>
Outstanding at 31 March 2011	<u>14,848,000</u>

**NOTE 5 RELATED PARTY TRANSACTIONS**

During the period the Company has issued 2,267,000 ordinary shares to raise a total of £260,020 as a result of option holders exercising options.

During the period the Company has issued a total of 2,665,000 options at 60p, with an expiry date of 1st February 2015.

The following transactions were entered into with related parties during the quarter:

- R Horsburgh – services related to publicity and investor relations GBP3,051.

Purchases from related parties are made at arm's length transactions both at normal market rates and normal commercial terms.

On the 22<sup>nd</sup> March 2011, Mr John Sutcliffe resigned as non-executive director after 40 years of service in the industry, with the last 5 years being part of Mariana Resources Ltd.

**NOTE 6 DEFERRED EXPLORATION AND EVALUATION**

All costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on a project are written-off as incurred.

Exploration and evaluation costs arising following the acquisition of an exploration licence are capitalised on project-by-project basis, pending determination of the technical feasibility and commercial viability of the project. Costs incurred include appropriate technical and administrative overheads. Deferred exploration costs are carried at historical cost less any impairment losses recognised.

Upon demonstration of the technical and commercial feasibility of a project, any past deferred exploration and evaluation costs related to that project will be reclassified as Mine Development and Infrastructure.

Mariana Resources Limited and its controlled entities.

**Notes to the Consolidated Financial Statements for the three-months ended 31 March 2011(continued)**


Capitalised deferred exploration expenditures are reviewed for impairment losses at each reporting date. In the case of undeveloped properties, there may be only inferred resources to form a basis for the impairment review. The review is based on a status report regarding the Group's intentions for development of the undeveloped property.

**NOTE 7 POST BALANCE SHEET DATE EVENTS**

The company has submitted draft documentation to the Toronto Listing Exchange ("TSX") which has been conditionally approved, with the intention of dual listing on the Canadian TSX exchange.

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

14 June 2011