

# **MARIANA RESOURCES LIMITED**

(Incorporated in Guernsey, Registered No. 44276)

## **FINANCIAL REPORT**

**Nine months ended**

**30 September 2011**

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*For the latest information see [www.marianaresources.com](http://www.marianaresources.com)*

## **Mariana Resources Limited**

Incorporated in Guernsey Reg. No. 44276

Report for the nine-months ended 30 September 2011

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

Dear Shareholder,

Mariana has continued to advance its two key projects, Las Calandrias and Sierra Blanca despite the volatility in equity markets, particularly over the last three months. I am pleased to announce the progress we have made since our last report for the half year. In particular:

Mariana announced its initial resource estimate on 11 July 2011, following the completion of the third drilling campaign for 29,738m at Las Calandrias. The NI 43-101 compliant estimate of 519,000 ounces gold equivalent (*Gold Equivalent is calculated by dividing the silver assay result by 60 and adding to the gold assay result and assumes 100% metallurgical recovery.*) was achieved well inside two years from the initial discovery. The resource comprises 11,840,000 tonnes Indicated @ 1.0 g/t gold and 17.4 g/t silver and 870,000 tonnes Inferred @ 0.93 g/t Au and 5.2 g/t Ag. Approximately 30% of contained gold and silver is in oxide and transition material. Preliminary metallurgical test work outlined a number of potentially economic processing options including flotation of Calandria Sur primary mineralisation to produce a high value sulphide concentrate assaying 40.7 g/t gold and 884 g/t silver. This was followed up by the filing of The Technical Report on the 25th August which was written by Mine Development Associates ('MDA'), Reno, Nevada.

MDA concludes in the Technical Report that, *"The Las Calandrias property is an advanced-stage exploration property with a discovery of significant gold-silver mineralization and two defined resources of gold and silver whose classification is Indicated and Inferred. From a review of the data and field examination, it is concluded that Mariana has performed technical work that meets or exceeds industry standards.*

*Continued exploration is particularly warranted at Las Calandrias because of the existing resources and newly discovered mineralization in the country rock outside the rhyolite dome host rocks at Calandria Sur."*

The results of the last drillholes for Calandria Sur from campaign III, which were not included in the resource study, were released subsequently in July and showed potential to expand the mineralised zone to the northeast of the rhyolite dome. Intersections included narrow high grade close to rhyolite/andesite dykes and wide medium grade intersections hosted in the surrounding volcanoclastics.

These results lead to a programme of exploration of a 1000 x 200-400m area (mapping, rock chip sampling, trenching). This work defined the Loma Verde, La Picasa, Vieja Herradura and El Clavo as important target areas, all outside the resource area.

Also, high-grade gold intersections were announced at La Morena and Tongoril vein-breccias, outside the La Calandria initial resource outline. This lead to a minimum 5,000 metre programme with the objective of testing priority target areas.

On the 2nd of November, Mariana announced positive results from the first 28 holes of the recently completed Phase IV 47 hole - 6,181m drill programme. The results highlighted the prospectivity of Las Calandrias having increased significantly with the scout drilling of new target areas, mostly in volcanoclastics outside of the Calandria Sur resource. Mineralisation appears to be controlled by NE and NW structures, favourable host rocks and subsurface rhyolite domes. Results further indicate scope for breccia-hosted gold at the new El Clavo target northwest of Calandria Sur. We anticipate follow up drilling in the next few months, once all results are in, with detailed mapping and geophysics to further outline the targets

Further to the west at Mariana's 70% owned Sierra Blanca silver-gold project ('Sierra Blanca'), located in the central part of the Deseado Massif, drilling results confirmed wide intervals of gold-silver mineralisation along the 1.1km Chala-Achen vein system with high grade zones at Chala Central and Achen. Following the completion of the first phase of drilling at Las Calandrias the rig was moved to Sierra Blanca in October where it continues to drill. The fourth drilling programme comprises a minimum of 5,000m testing targets derived from earlier drilling at Chala-Achen, Lucila and Vetrarron plus Trafwe, the gravel covered magnetic low between Lucila and Chala-Achen

We look forward to further drill results from Las Calandrias and Sierra Blanca which could yield new target areas for follow up drilling. If successful, this could advance to another phase of infill/resource drilling with the ultimate goal of expanding the resource base at Las Calandrias and establishing an initial resource at Sierra Blanca.

The Mariana team has achieved, some real milestones in these difficult market times and I would like to thank all involved for their continued efforts and look forward to the year ahead. The continuing support of shareholders is also acknowledged.

## **Financial**

The Mariana group made a consolidated loss of £2,807,070 for the nine-months ended 30 September 2011 (nine-months ended 30 September 2010: £1,957,135). At 30 September 2011 Mariana had cash and cash equivalents of £3,949,937.

On behalf of the Board,

J. R. Horsburgh Chairman  
14 November 2011

Mariana Resources Limited and its controlled entities.

**Condensed Consolidated Statement of Comprehensive Income for the nine-months ended 30 September 2011**

	<b>Nine months ended 30 September 2011</b>	<b>For the year ended 31 December 2010</b>	<b>Nine months ended 30 September 2010</b>
	Unaudited	Audited	Unaudited
	£	£	£
Revenue	38,761	61,425	45,878
Employee and directors benefits expense	(983,652)	(1,320,424)	(984,099)
Depreciation expense	(64,693)	(35,370)	(19,926)
Professional services expense	(369,786)	(522,864)	(267,863)
Marketing expense	(99,010)	(105,728)	(47,821)
Administrative expense	(170,820)	(166,336)	(78,781)
Travel expense	(179,965)	(195,618)	(104,628)
Occupancy expense	(24,973)	(28,667)	(19,998)
Impairment/write off of deferred exploration costs	(356,549)	(994,856)	(46,279)
Exchange losses	(474,657)	(82,020)	(245,654)
Other expenses	(121,726)	(256,407)	(187,964)
Loss on loss of control of subsidiary & discontinued operations	-	(128,878)	-
<b>Loss before Tax</b>	<b>(2,807,070)</b>	<b>(3,775,743)</b>	<b>(1,957,135)</b>
Tax	-	-	-
<b>Loss for the period</b>	<b>(2,807,070)</b>	<b>(3,775,743)</b>	<b>(1,957,135)</b>
Other comprehensive income:			
Exchange differences on translation of foreign operations	(117,730)	231,265	6,799
<b>Total comprehensive income for the period</b>	<b>(2,924,800)</b>	<b>(3,544,478)</b>	<b>(1,950,336)</b>
<b>Loss per share – basic and diluted</b>	<b>Pence (1.5)</b>	<b>Pence (2.6)</b>	<b>Pence (1.4)</b>

Mariana Resources Limited and its controlled entities.

**Condensed Consolidated Statement of Financial Position as at 30 September 2011**

	<b>30 September 2011</b> Unaudited £	<b>31 December 2010</b> Audited £	<b>30 September 2010</b> Unaudited £
<b>NON-CURRENT ASSETS</b>			
Deferred exploration costs	9,059,350	4,806,544	5,251,652
Property, plant and equipment	805,716	700,728	390,290
Investment in jointly controlled entity	1,356,566	948,277	-
Other	1,686	39,306	-
<b>Total non-current assets</b>	<u>11,223,318</u>	<u>6,494,855</u>	<u>5,641,942</u>
<b>CURRENT ASSETS</b>			
Other receivables and pre-payments	1,823,338	1,024,112	895,555
Cash and cash equivalents	3,949,937	11,174,586	6,728,696
<b>Total current assets</b>	<u>5,773,275</u>	<u>12,198,698</u>	<u>7,624,251</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	1,088,754	582,771	1,232,765
Provisions	108,292	63,887	270,046
<b>Total current liabilities</b>	<u>1,197,046</u>	<u>646,658</u>	<u>1,502,811</u>
<b>NET CURRENT ASSETS</b>	<u>4,576,229</u>	<u>11,552,040</u>	<u>6,121,440</u>
<b>NET ASSETS</b>	<u>15,799,547</u>	<u>18,046,895</u>	<u>11,763,382</u>
<b>EQUITY</b>			
Issued share capital	18,150	17,923	15,908
Share premium account	25,544,890	25,285,098	17,648,425
Other reserves	2,180,710	1,881,007	1,417,574
Accumulated losses	(11,944,203)	(9,137,133)	(7,318,525)
<b>TOTAL EQUITY</b>	<u>15,799,547</u>	<u>18,046,895</u>	<u>11,763,382</u>

Mariana Resources Limited and its controlled entities.

**Condensed Consolidated Statement of Changes in Equity for the nine-months ended 30 September 2011**

	Share Capital £	Share premium £	Share based payments reserve £	Foreign currency translation reserve £	Accumulated loss £	Total £
Balance at 1 January 2010	12,823	10,416,847	520,304	286,210	(5,361,390)	5,874,794
Issue of shares	3,025	7,231,638	-	-	-	7,234,663
Share based payment options	-	-	604,261	-	-	604,261
Loss for the period	-	-	-	-	(1,957,135)	(1,957,135)
Exchange differences on translating foreign operations	-	-	-	6,799	-	6,799
<b>Balance at 30 September 2010</b>	<b>15,848</b>	<b>17,648,485</b>	<b>1,124,565</b>	<b>293,009</b>	<b>(7,318,525)</b>	<b>11,763,382</b>
Balance at 1 October 2011			1,124,565	293,009	(7,318,525)	11,763,382
Issue of shares	2,075	7,636,613	-	-	-	7,638,688
Share based payment options	-	-	238,967	-	-	238,967
Loss for the period	-	-	-	-	(1,818,608)	(1,818,608)
Exchange differences on translating foreign operations	-	-	-	224,466	-	224,466
<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>
Balance at 1 January 2011	17,923	25,285,098	1,363,532	517,475	(9,137,133)	18,046,895
Issue of shares	227	259,792	-	-	-	260,019
Share based payment options	-	-	417,433	-	-	417,433
Loss for the period	-	-	-	-	(2,807,070)	(2,807,070)
Exchange differences on translating foreign operations	-	-	-	(117,730)	-	(117,730)
<b>Balance at 30 September 2011</b>	<b>18,150</b>	<b>25,544,890</b>	<b>1,780,965</b>	<b>399,745</b>	<b>(11,944,203)</b>	<b>15,799,547</b>

Mariana Resources Limited and its controlled entities.

**Condensed Consolidated Statement of Cash Flows for the nine-months ended 30 September 2011**

	<b>Nine-months 30 September 2011</b>	<b>Full year 31 December 2010</b>	<b>Nine-months 30 September 2010</b>
	Unaudited £	Audited £	Unaudited £
<b>Cash Flow from Operating Activities</b>			
Payments to suppliers & employees	(1,736,324)	(2,769,613)	(1,931,793)
Interest and other income received	31,261	56,744	1,486
<b>Net Cash Used in Operating Activities</b>	(1,705,063)	(2,712,869)	(1,930,307)
<b>Cash Flow from Investing Activities</b>			
Payments for purchase of property, plant & equipment	(209,681)	(642,613)	(308,466)
Payments for exploration expenditure	(4,698,378)	(3,241,008)	(1,911,205)
Proceeds from joint venture partner	-	-	1,067,282
Payments to joint venture partner	(408,289)	-	-
<b>Net Cash Used in Investing Activities</b>	(5,316,348)	(3,883,621)	(1,152,389)
<b>Cash Flow from Financing Activities</b>			
Proceeds from issue of share capital (net of issue costs)	260,019	14,873,350	7,234,663
<b>Net Cash Flow from Financing Activities</b>	260,019	14,873,350	7,234,663
<b>Net increase/(decrease) in cash and cash equivalents</b>	(6,761,392)	8,276,860	4,151,967
Effect of exchange rate fluctuations on cash held	(463,257)	320,997	(150,000)
Cash and cash equivalents at the beginning of the period.	11,174,586	2,576,729	2,726,729
<b>Cash and cash equivalents at the end of the period</b>	3,949,937	11,174,586	6,728,696

Mariana Resources Limited and its controlled entities.

## Notes to the Condensed Consolidated Financial Statements for the nine-months ended 30 September 2011

### NOTE 1 GENERAL INFORMATION AND ACCOUNTING POLICIES

These condensed interim financial statements are for the period 1 January 2011 to 30 September 2011.

The financial reports for the nine-months ended 30 September 2010 and nine-months ended 30 September 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 interim 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 condensed consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). 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 Condensed Consolidated Financial Statements for the nine-months ended 30 September 2011(continued)

### NOTE 1 GENERAL INFORMATION AND ACCOUNTING POLICIES (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/(loss) per share*

Basic earnings/(loss) 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/(loss) per share*

As the company incurred a loss for the nine-months, basic earnings/(loss) 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 30 September 2011 was 181,502,930 (31 December 2010: 179,235,930). Movements in issued shares during the nine-months were:

Issued shares at 31 December 2009	128,228,235
Issued during the period - placement	44,107,143
Issued during the period - exercise of options	6,900,552
Issued shares at 31 December 2010	<u>179,235,930</u>
Issued during the period - exercise of options	2,267,000
Issued shares at 30 September 2011	<u>181,502,930</u>

Mariana Resources Limited and its controlled entities.

**Notes to the Condensed Consolidated Financial Statements for the nine -months ended 30 September 2011(continued)**

**NOTE 4 OPTIONS**

At 30 September 2011 the company had 14,848,000 options on issue (30 September 2010: 13,540,500), each of which entitles the holder to receive on exercise, one ordinary share in the company. Movements during the nine month period were:

Outstanding at 31 December 2009	13,300,348
Issued during the period	8,165,000
Exercised, expired or cancelled during the period	(7,015,348)
Outstanding at 31 December 2010	14,450,000
Issued during the period	2,665,000
Exercised, expired or cancelled during the period	(2,267,000)
Outstanding at 30 September 2011.	14,848,000

**NOTE 5 RELATED PARTY TRANSACTIONS**

The following transactions were entered into with related parties of the Chairman during the nine months ending 30 September 2011:

- R Horsburgh – services related to publicity and investor relations £13,058
- Scopemedia – services related to website maintenance £2,295

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

**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 Condensed Consolidated Financial Statements for the nine-months ended 30 September 2011(continued)**

**NOTE 6 DEFERRED EXPLORATION AND EVALUATION (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**

On the 21<sup>st</sup> October 2011 members of the Mariana Resources Ltd employee option plan had exercised 57,000 options over shares in the company. The shares were issued at a price of 6 pence per share and exercise prices were set at the time the options were issued. As a result of the above issue, the capital of the Company is 181,559,930 ordinary shares as at 14 November 2011.

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*  
G.W. Parsons *Director- CFO*

14th November 2011