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Alexander Mining plc

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## Alexander Mining plc

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Alexander Mining is an AIM listed mining company with a reputation for strong technical management, allied with financial markets' expertise and experience.

The Company's activities are directed towards the objective of becoming a low cost, highly profitable and diversified mid-tier base and precious metals mining company.

This will be achieved through a strategy combining exploration of its existing properties, which may lead to economic development thereof, and the acquisition of advanced projects and producing operations.

## Highlights

- > Metals market conditions and outlook remain favourable
- > Strong cash position of £14m at 31 December 2006
- > JORC Code copper resource determined for Leon Project of 6.43Mt at 0.64% copper and 17.9g/t silver, for contained metal of 41,100t copper and 3.7Moz silver
- > Feasibility study on Leon copper project in north-west Argentina nearing completion
- > Leon regional copper exploration programme successful in identifying mineralised targets leading to preparation for drilling
- > Encouraging initial exploration results from Arbol Solo copper prospect as part of Leon regional exploration programme
- > Molinetes gold property in Peru ready for first stage exploration
- > Strong access to capital markets and finance

Our prospects and projects are in environments with attractive geology. We are working in partnership with our communities to maximise their potential.

**Peru – Gold, Molinetes**

The presence of bonanza high grade gold mineralisation, reportedly up to several ounces per tonne, is being exploited by artisanal mining activity

Lima

**Argentina - Polymetallic, Racharte**

Early stage exploration property with potential for porphyry copper/gold mineralisation and/or high sulphidation epithermal gold mineralisation

**Argentina - Silver, Trinidad**

The property covers two separate exploration licences situated to the north and north-east of the former La Providencia silver mine – a sediment-hosted epithermal silver deposit

Buenos Aires

**Argentina - Copper, Leon**

Favourably situated in the central part of the Salta Province of north-west Argentina, and just 55km south-east of the provincial capital, Salta, Leon is at an advanced feasibility study stage. In addition, the company has a dominant regional exploration claims area of some 145,000 hectares. Here the short term focus is on drilling satellite copper deposits for potential processing at Leon

We have a balanced portfolio of assets which offer solid potential for growth. We will continue aggressively to evaluate our prospects and projects to determine their optimum potential.

### Our portfolio at a glance

Project	Acquisition	Initial exploration	Advanced exploration	Feasibility studies	Construction	Production
Leon Mine, Argentina	Acquired	Completed	Completed	Nearing completion		
Leon Regional, Argentina	Acquired	Commenced				
Trinidad, Argentina	Acquired	Commenced				
Rachate, Argentina	Acquired	Completed				
Molinetes, Peru	Acquired	Planned				

Property	Profile	Status	Potential
<b>Leon copper project</b> Argentina	Copper/silver project with El Cobre and El Plomo copper oxide deposits	Final JORC Code independent resource statement released. Advanced stage of feasibility study for an open pit mine with heap leach, solvent extraction and electro-winning processing plant.	Subject to final feasibility study and permitting, the development of a copper mine.
<b>Leon regional copper exploration claims</b> Argentina	Intensive exploration programme in the Salta sedimentary basin to discover new copper deposits suitable for treatment at Leon and/or as a standalone operation.	Several mineralised outcrops already identified, including promising Arbol Solo prospect, where trenching has returned encouraging results. Drill testing planned.	Discovery of copper deposits of order of magnitude size range 3-15Mt.
<b>Trinidad silver prospect</b> Argentina	Exploration property near to the former silver mine, La Providencia.	First stage drilling programme completed, results awaited.	Silver deposit discovery.
<b>Rachate polymetallic prospect</b> Argentina	Property encompasses an altered and leached porphyritic dacite body within a collapsed caldera.	Results after an initial drilling programme were not sufficiently positive for the Company to commit further funds. It has been decided to solicit third party joint venture interest.	Seeking a joint venture partner.
<b>Molinetes gold prospect</b> Peru	Exploration property with significant artisanal mining activity exploiting bonanza high grade gold veins.	Supreme decree issued by the government enabling purchase of property and, pending conclusion of community agreements, start of initial exploration programme.	Delineation of a significant gold deposit.

Matt Sutcliffe  
Chairman and CEO

## Chairman's statement

I am confident that the Company is on target to achieve its corporate growth objective to build a low cost, highly profitable and diversified mid-tier base and precious metals mining company.

It is with pleasure that I can report to shareholders significant progress made by the Company during 2006. I am confident that the Company is on target to achieve its corporate growth objective to build a low cost, highly profitable and diversified mid-tier base and precious metals mining company. This will be based on our existing properties, which may lead to economic development thereof, plus the acquisition of new prospects, projects and producing operations. Importantly, our finances remain strong, as at the 31st December, 2006 we had a cash position of £14.0m.

Extraordinarily favourable markets for base and precious metals, and in turn mining equities, continued to prevail in 2006. This was on the back of the booming economies in China and India, which together account for 38% of the world's population. At the beginning of 2007, base metals prices pulled back but this has been shown to be a healthy correction as prices since have recovered strongly. Gold and silver prices have remained in a powerful bull market.

During the year, our main efforts have been devoted to finalising the feasibility study for our most advanced asset, the Leon Copper Project in Argentina. Although our initial optimised schedule for completing the feasibility study has slipped, due to delays beyond our direct control in the arrival of the pilot plant, several critical and notable milestones have been passed.

We have completed the resource definition drilling programme and announced independently calculated resources to the JORC Code standard. This showed a total combined in situ copper resource for El Cobre and El Plomo of 6.43Mt at 0.64% copper and 17.9g/t silver, for contained metal of 41,100t copper and 3.7Moz silver.

A pilot solvent extraction electro-winning (SXEW) processing plant was successfully commissioned to treat a bulk sample of run of mine (ROM) ore. We are particularly proud to say that it has produced what we believe is the first copper cathode in Argentina. Indeed, I had the honour of presenting a special display cathode to the Governor of Salta Province.

Cash position

# £14m

The Company's year-end cash reserves

We have received excellent support at a local, provincial and national level. Consistent with our policy of having a social licence to operate, it is gratifying that we have been able to source goods and services locally and to employ local workers and national professionals commensurate with our transition towards potential mine development.

In parallel with conducting the Leon feasibility study, we have taken the opportunity to optimise our regional land holding in the highly prospective Salta Basin. The taking out of additional land claims now means that we have a dominant prospective land position of some 145,000 hectares for copper mineralisation. Accordingly, we have been actively searching for potential Leon satellite or standalone regional copper deposits. Several promising targets have been generated and exploration programmes will gear up during 2007.

At the Company's other prospects in northwest Argentina, we completed an initial diamond drilling programme at the Racharte polymetallic porphyry target property, and commenced diamond drilling at Trinidad for silver mineralisation. Results from the former were inconclusive in the context of a decision to commit further funds on our own and we hope to be able to secure a joint venture partner. At Trinidad we expect to announce results soon.

In northern Peru at Molinetes, we have received the Supreme Decree allowing us to purchase this highly exciting gold property. Artisanal miners have been active due to reported spectacular bonanza gold grades and we look forward to starting exploration. Results from drilling at the Sulcha gold prospect in Otuzco Province were disappointing and we have relinquished our interest in the property.

## Outlook

Market sentiment and fundamentals look highly favourable for another rewarding year and beyond for the mining industry and investors. With the standard of living in China and India roughly a fifth and one tenth respectively of that of the high income countries, this bodes well for the pace of their economic growth to continue at exceptional levels for many years to come.

Our preference for seeking exposure to copper, gold and silver appears well placed. All are enjoying strong current price levels, with healthy outlooks, which should allow an exceptional return on capital for good quality projects. Consistent with our business objective we have investigated numerous new opportunities. The challenge has been to find those which are value accretive in a market where vendor expectations are often unrealistic. Nevertheless, we remain confident that we will be successful.

In the prevailing industry environment, where it is increasingly difficult to secure high quality professionals, we are particularly fortunate to have recruited a first class mine building and operating team in Argentina. This gives us the capability to grow into a significant mining company.

The Company prides itself on the quality of all of its employees and I would like to thank them and my fellow directors, consultants and advisors for their dedication and support. We look forward to the year ahead with considerable optimism.

**Matt Sutcliffe**  
Chairman and CEO

26th April 2007

Presentation of special display copper cathode to the Governor of Salta Province

The Leon project in northwest Argentina is a sediment-hosted, stratabound copper/silver deposit that is at the advanced feasibility study stage.

**SAN SALVADOR DE JUJUY**

**Grl. Guemes**

**SALTA**

**LEON**

**Metan**

## Key

Project Site

Regional Airport

Town

Road

River

Alexander Mining Project Claims

Alexander Mining Regional Exploration Claims

Land over 4,000 ft

Land over 1,500 ft

25

50 Kilometres



The principal activity of Alexander Mining is to become a low cost, highly profitable and diversified mid-tier base and precious metals mining company.

A review of the Company's business, including prospects, is given in the Chairman's Statement and below

## Argentina

Mining industry interest, activity and investment in Argentina continues to accelerate from already healthy levels. According to recent government figures, investment has increased several fold over the last few years and is forecast to total well over US\$5bn in the next five years. Total mining exports should reach US\$2bn for 2006, a third up on 2005. Complementing these figures, exploration activity has grown significantly too.

The government forecasts that the number of the country's existing world class mines will increase significantly over the next eight years. Notable projects include Xtrata's El Pachon 700Mt copper/molybdenum project, Barrick Gold's Pascua Lama 18.3Moz gold & silver project, Northern Orion's Agua Rica 731Mt copper/gold project and Rio Tinto's US\$750m Potasio Rio Colorado potash project.

We believe that Argentina offers a favourable environment for mining investment as the highlights above show. However, it is important to note that the country comprises 23 provinces that have their own constitutions and politics but exist under a federal system. In a few instances, this has led to some provinces adopting an anti-mining stance or restrictive provincial legislation. The Company has been mindful of confining its activities to those provinces that are highly supportive towards the mining industry, in particular Salta and Jujuy.

### Leon

All mining companies have to balance potential rewards against the risks, whether these are technical, market, financial, environmental or geopolitical. The risk profile in the mining industry is graduated from exploration (highest) through to production (lowest), with degrees for the stages in between. The Company adopts a prudent approach to reduce or mitigate these risks as far as possible by a mixture of prospects and/or projects at these different stages. Hence, during 2006, the company's efforts and expenditure have been concentrated on progressing the Leon copper project feasibility study.

Favourably situated in the central part of the Salta Province of north-west Argentina, approximately 1,250km north-west of Buenos Aires and just 55km south-east of the provincial capital, Salta, the project has been divided into two separate entities. These are the principal mining claims comprising the Leon feasibility study area, and the regional exploration claims, which comprises the P and S blocks, some 30 to 50km to the north-east, and the additional regional exploration claims area. The total area currently comprises 144,705 hectares, of which 143,505 hectares (Leon Regional Project) are outside of the original Leon area.

Access to the main Leon project site is excellent via paved national highways for most of the way and then some 18km of good quality gravel road.

### Geology

The Leon deposit lies within and near to the eastern border of the major Upper Cretaceous to Eocene Salta Basin, which covers much of north-west Argentina and extends into parts of Chile, Bolivia and southern Peru. During its formation, the basin was filled with Cretaceous Pirgua Sub-group sediments which attained a thickness of over 3 km in the vicinity of the Leon licence. This was followed by the deposition of the Pirgua Sub-group, consisting of red mudstones, sandstones and conglomerates with local rift-related alkaline basaltic rocks. The overlying Cretaceous Balbuena Sub-group contains the Lecho, Yacoraite and Tunal formations, which outcrop at the Leon site.

Mineralisation at Leon lies at the south-eastern end of a major fault zone, which is one of several regional-scale, north-west trending lineaments traversing north-west Argentina and the Andes. The mineralisation is believed to have entered into the sedimentary beds during a period of basin inversion, when there was major faulting and north-west folding in the area.

### Major investment

# US\$5bn

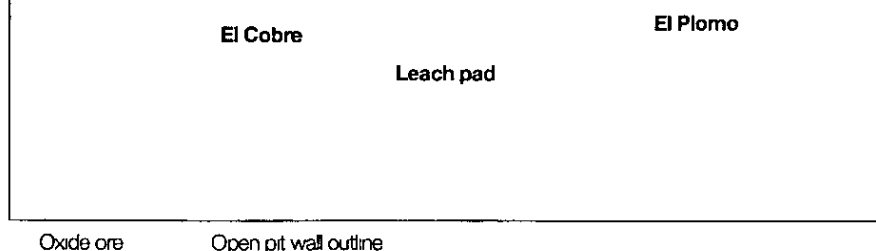
Amount forecast to be invested in the next five years in mining projects in Argentina

The two main deposits discovered to date at Leon are called El Cobre and El Plomo. They were formed around the contact of the Yacoraite limestone and the Lecho sandstone. Limestones in the area are the most resistant rocks and generally occupy the crests of ridges. The El Cobre and El Plomo deposits occur in two parallel ridges, converging to the north, and forming the two sides of a valley. The rocks are extensively brecciated, especially in El Cobre.

The mineralisation at Leon is believed to have originated by leaching and transportation of metals from red bed sediments or inter-layered basalts by basin brines. Copper and silver were deposited in structural traps and/or as a result of a strongly reducing environment.

Primary copper/silver mineralisation generally occurs within the limestone beds, although a significant zone of ore grade exists within the Lecho sandstones. Basal chalcocite and bornite are succeeded upwards in the stratigraphic succession by chalcopyrite and associated tennantite and finally galena, sphalerite and pyrite. Silver appears to be mostly associated with tennantite.

Supergene oxide and sulphide mineralisation occurs to around 80m depth, comprising malachite, azurite, digenite and covellite, iron and manganese oxides and complex, fine-grained mixtures of oxides containing copper, iron, manganese, lead, zinc, arsenic and antimony. The host rocks are strongly brecciated, tectonised and altered.

**Schematic cross section of Leon project****Resource statement**

Based on a review of historical data and the findings and recommendations of independent geological consultants, ACA Howe International, Alexander commenced a comprehensive resource definition diamond drilling programme over the El Cobre and El Plomo zones in August 2005, which continued throughout much of 2006. Drilling in the target oxide zone was on a 50m section spacing. In July 2006, a JORC Code compliant resource statement for Leon, prepared by ACA Howe, was published. Upon further review, additional drilling was decided upon to enhance the resource categorisation and database. A total of 16,238m was completed, including 927m of large diameter drilling for metallurgical testing, in 2006 drill holes. Subsequently, the final Leon mineral resource statement was announced showing a total combined in situ copper resource for El Cobre and El Plomo of 6.43Mt @ 0.64% copper and 17.9g/t silver, for contained metal of 41,100t copper and 3.7Moz silver.

**Feasibility Study**

During the year, in parallel with the resource definition drilling programme, our main efforts have been devoted to advancing the feasibility study for the Leon Copper Project. The preparation of the feasibility study is an important step in determining the economic viability of the project and reducing the associated project risks. Although our initial optimised schedule for completing the feasibility study has slipped, due to delays beyond our direct control in the arrival of the pilot plant, several critical and notable milestones have been passed.

In order to proceed with the construction of the mine at Leon, the Company will have to review the financing options. This will involve the consideration of debt and/or additional equity financing.

**Leon copper project JORC Code compliant resource statement**

<b>El Cobre Deposit</b>	Tonnes, Mt	Copper, %	Silver, g/t	Copper, t	Silver, Moz
Indicated Oxide Resource	2.25	0.94	20.02	21,080	1.45
Inferred Oxide Resource	0.43	0.69	12.37	2,940	0.17
<b>Total Oxide Resource</b>	<b>2.67</b>	<b>0.90</b>	<b>18.79</b>	<b>24,020</b>	<b>1.62</b>
<b>El Plomo Deposit</b>	Tonnes, Mt	Copper, %	Silver, g/t	Copper, t	Silver, Moz
Indicated Oxide Resource	2.90	0.46	17.63	13,330	1.65
Inferred Oxide Resource	0.86	0.44	15.75	3,750	0.43
<b>Total Oxide Resource</b>	<b>3.76</b>	<b>0.45</b>	<b>17.20</b>	<b>17,080</b>	<b>2.08</b>
<b>Total</b>	<b>6.43</b>	<b>0.64</b>	<b>17.9</b>	<b>41,100</b>	<b>3.70</b>

Note: Copper grade cut-off of 0.20% used, totals may be subject to rounding errors.

**Metallurgical Testwork**

A thorough metallurgical testwork programme continued during the year. A key component of this was the commissioning of a solvent extraction electro-winning (SX-EW) pilot plant. This was designed, hired and imported from metallurgical consultants Sociedad Terral S.A. ("Terral") in Chile, which also supervised the testwork. The pilot plant has a capacity of 240kg of cathode copper per day.

As part of the leaching preparations for the pilot plant, a trench was excavated, lined and a small starter pit sampled and excavated from the top bench of the El Cobre deposit. About 450t of run of mine (ROM) ore was placed by an excavator on the leach pile to a height of 4m. A dripper irrigation system for leaching was constructed. Two collection ponds for the pregnant leach solution (PLS) and raffinate (re-cycled barren leachate) were also built. The scope and parameters of the testwork were designed by Terral. The electrical requirements for the electrowinning process were met using existing generators at the Leon site.

The purpose of the pilot test programme was to understand better the process, experiment with curing methods, measure and minimise reagent consumption and measure recovery of copper from ROM ore.

A significant milestone was reached with the production of, what is believed to be, the first cathode copper plate ever produced in Argentina.

Results to date have been encouraging and Terral continues with testwork aimed at optimising the rate of leaching within the heap.

**Mining Engineering**

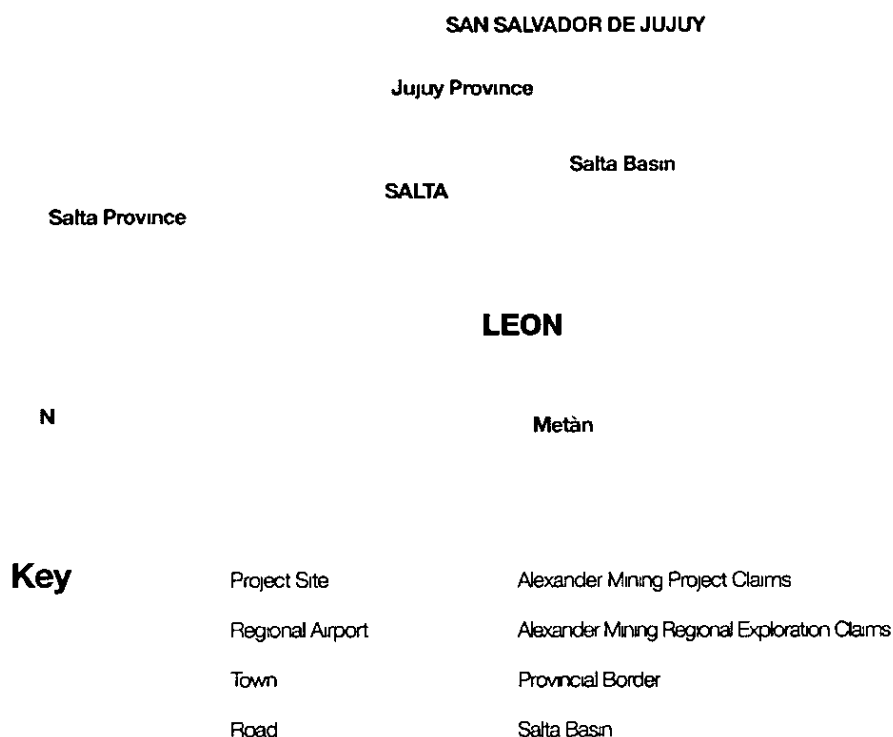
The site location has excellent infrastructure. Authorities have indicated that the Company can be supplied with cheap power, and water supplies are available from both underground sources and the nearby Juramento River. The city of Salta provides a wide choice of civil contractors and fabrication workshops for mine construction purposes.

Mining reserves have been calculated by Adam Wheeler & Associates using the ACA Howe resource models. The pit optimisation studies were run using Datamine software. Various scenarios were investigated to determine the optimum pit size for the operation.

The proposed open pit mining method at Leon has been planned to suit infrastructure, topography and environmental constraints. The use of small equipment is preferred for flexibility and has the additional benefit of employing more local people with a less skilled mechanical background and exposure to large mobile equipment.

The site is ideally suited to heap leaching and pit waste disposal. There is a relatively flat area of ground between and in close proximity to the proposed open pits. There is no pre-strip required and highly leachable, good grade ore occurs near the surface. Waste material can be placed either within the same valley or in an adjacent valley, with minimal environmental impact. Ore will be broken using explosives, then excavated in benches and hauled to the leach pad.

The Company has received excellent support for its activities in Argentina at the local, provincial and national level.



#### Environmental Studies

As part of the requirement to submit a full environmental impact study to the relevant authorities, the company has undertaken the requisite environmental impact work to assess the effects of a mining operation at Leon. Following these studies and based on their findings, the company will adhere to its corporate environmental policy to ensure that

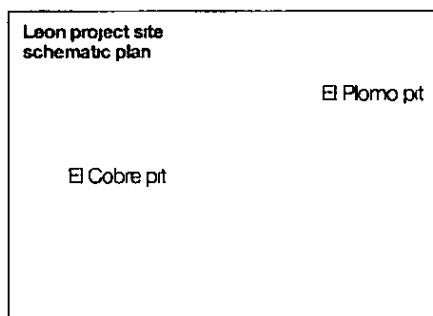
- Compliance with the environmental laws and regulations of Argentina are maintained and wherever possible exceeded to industry best practice
- Impacts identified during the studies will be minimised during the construction and operation of the mine
- The water quality leaving the site will be suitable for use downstream of the project area.
- The creation of local jobs and business opportunities will be given a high priority
- The disposal of wastes will be done in an environmentally responsible manner
- The local authorities and farming community will be kept informed about company activities through regular communications
- Rehabilitation activities take place during the operating life of the mine
- Following mine closure, the land will be returned to a condition suitable for continued farming activities

#### Community Relations

The Company's aim is to have a positive impact on the people, cultures and communities in which it operates. It is respectful of local and indigenous people, their values, traditions, culture and the environment. The Company strives to ensure that surrounding communities are informed of, and where possible, involved in, developments which affect them, throughout the life cycle of our operations. We undertake social investment initiatives in the areas of need where we can make a practical and meaningful contribution. In particular, we contribute to those areas of education and health care which are relevant to our business activities and those most likely to be sustainable once our operations have ceased.

We acquire and use land in a way which promotes the broadest possible consensus amongst interested people. Moreover, we endeavour to contribute to the sustainable economic development of host communities through procurement activities and the outsourcing of goods and services from local vendors where appropriate.

The company has maintained good relationships with all local, provincial and national government authorities. It has also enjoyed positive press coverage as a result of the professional way it is conducting its activities.



- Admin
- Open pit outline
- Valley leach pads
- Plant
- Water storage
- Waste dumps

1 Copper cathodes produced in pilot plant  
2 Pilot plant leached ore heap

## Argentina

### Leon Regional Exploration

Although exploration during the year was focused on completing the evaluation drilling and calculating a resource estimate on the main Leon project area, the Company continued the investigation of its regional exploration properties, including the P and S blocks. The company's large claims area of some 145,000 hectares in the prospective Salta basin is designed to enhance the odds for success in discovering potential Leon satellite or standalone regional copper deposits. As several promising targets have already been generated that warrant further investigation, plus ongoing active reconnaissance for more, we believe that this programme should bear fruit.

A number of additional copper discoveries were made during the year through reconnaissance exploration. Detailed surface exploration has commenced and is in progress on several of these and drill evaluation has been completed on one, albeit that the inferred resource potential was too small.

Surface mapping and sampling on the S block has defined mineralisation occurring in the middle section of the limestone, with values of up to 4.0m at 1.71% copper and 13.42g/t silver. Outcrop is poor and the thickness of the mineralisation needs to be determined by drilling.

Exploration on the P block has revealed mineralisation in two old workings, separated by a distance of 800m. The mineralisation occurs in the limestones and underlying sandstones. One working has a channel width of 18m at 0.99% copper and 6.72g/t silver. In the other, a single sample over 1.5m gave a value of 2.84% copper and 29.8g/t silver. Surface work is planned to continue before drill evaluation commences.

The Los Negros area is located 10km to the north-west of the main Leon Project. Here copper mineralisation occurs in faults and fractures within Precambrian limestones and phylites. Initial rock chip sampling collected from two zones of outcrop gave average values of 11.18% copper and 10.6g/t silver in one outcrop area and 0.90% copper and 3.2g/t silver in the other. Surface exploration is continuing in the area.

Several copper occurrences in the sandstones below the limestones have been located to the south of the Leon Project area. Of these the most important is known as Arbol Solo, 23km due south of Leon, which consists of two anticlines forming topographic highs, Nogal Solo in the north and Chilcar in the south. Surface mapping and trenching are in progress and results from the first three trenches consistently gave values of between 0.42% and 0.50% copper over widths ranging between 17m and 32m. The mapping has indicated a potential mineralised strike of greater than 3,000m. An access road for drilling is currently being constructed.

### Rachaite Project

The Rachaite Project, in Jujuy Province north-west Argentina, covers a total area of 13,560 hectares and consists of an altered and leached porphyritic dacite body within a collapsed caldera.

After initial mapping and surface sampling, which encountered gold, copper, lead, zinc and molybdenum, a 1,500m diamond core drilling programme of six holes was conducted. During the first quarter of 2006, logging and sampling of the six diamond drill holes was completed. Highly anomalous intersections of gold and silver/lead/zinc were made in this limited drilling. The indications are that the altered system could host significant tonnages with silver/zinc/lead mineralisation in the central and northern parts of the body. In addition, to the south is a north-west to south-east trending zone of approximately 2,000m by 150m that has the potential to host gold mineralisation. In order fully to test these targets, more detailed surface sampling and mapping and additional diamond drilling will be required.

Whilst holding attractive exploration potential, given the considered geological risk, the Company has decided to solicit third party joint venture interest. The Company has made a provision in the accounts for the costs associated with the property, which would be reversed should a successful joint venture interest or sale occur.

### Trinidad Project

The Trinidad project is some 60km to the west of the town of Susques in Jujuy Province in north-west Argentina. It consists of two properties totalling 2,891 hectares to the north and north-east of the old La Providencia silver mine. Surface mapping and sampling of the two properties were undertaken after required approvals were granted by the provincial government of Jujuy. The western property is located at 6km to the north of La Providencia. Here mapping revealed identical lithologies, structures and alteration on surface as that encountered in the La Providencia occurrence. In addition, rock chip sampling gave copper values of between 145 ppm and 1%. On this basis, a diamond drilling programme was initiated at the year end to test the potential of hosting mineralisation similar to that at La Providencia. These results, and analysis thereof, are pending.

Significant position

# 145,000

145,000 hectares exploration claims area in the Salta Basin

The Company's intensive regional copper exploration programme is supported by its dominant claims position in the prospective Salta Basin.

1 Exploration crew  
2 Sedimentary copper mineralisation

**BOLIVIA**

**RACHAITE**

**Key**

Alexander Mining Property

Regional Airport

Town

Road

River

Land over 4,000 ft

Land over 1,500 ft

25

50 Kilometres

**CHILE**

**TRINIDAD**

**Susques**



## ECUADOR

### Key

Project Site

Town

Road

River

Land over 4,000 ft

Land over 1,500 ft

National Border

15

30 Kilometres

## MOLINETES

### PERU

### Peru

The mining industry in Peru continues to grow from its existing dominant position as a world class mining country. This has been due to its fabulous mineral endowment and pragmatic government mining and economic policies. It is Latin America's largest gold producer and a significant producer of silver, tin, copper, lead and zinc. The country is host to some of the largest and lowest cost precious and base metals mines in the world. These include Newmont Mining's 36Moz resource Minera Yanacocha, the largest gold producer in South America and Antamina, the world's third largest mine which produces copper and zinc. With the election of the new President, Alan Garcia, in July 2006, the political and economic uncertainties prevailing beforehand have been significantly assuaged. In general, conditions since the election have been positive for the mining industry. However, it is paramount to involve local communities fully as stakeholders in any exploration/mining activity by seeking a social licence to operate. Alexander has been especially committed to ensure this policy is adhered to and maintained in its operations in Peru.

#### Molinetes Property

The Molinetes property is in the District of Las Lomas, approximately 120km east of the city of Piura, the regional capital of Piura Province in north-west Peru. The concession covers an area of circa 800 hectares.

An extensive alteration system centred on and covering most of the Molinetes property has already been identified. Preliminary observations suggest the presence of a large scale epithermal/shear zone system with extensive veins of gold mineralisation.

The mineralisation appears to cover a surface area of at least 6km<sup>2</sup> and may extend beyond the boundaries of the Molinetes property, although the major proportion of the mineralisation seems to be within the property boundaries.

The mineralisation is distributed beneath a broad band of shallow altered clays along the geological contacts and expresses itself as a series of discrete high grade veins and broad disseminated stock works within the massive silica altered felsic volcanic rocks. Except for the shallow oxidised surface mineralisation down to 20m, the gold and silver mineralisation present is associated with sulphides.

An extensive alteration system centred on and covering most of the property has been identified in our Molinetes gold prospect, in Piura Province, Peru.

Sullana

Chulucanas

PIURA

N

#### Artisanal gold processing equipment

Until recently, there had been no previous history of mining or modern exploration. Reportedly, it is only since late 2004 that artisanal miners have been working in the general area. Local miners are exploiting quartz veins hosting bonanza grades (>16g/t gold). The workings are restricted to the top 20m in crude shafts and pits. It is believed that in addition to the high grade veins, the area also hosts a substantial low grade halo which is left unmined.

The first stage of exploration will start as soon as possible and involve geological mapping of the area, soil and rock chip sampling and systematic grid drilling using both diamond and reverse circulation methods.

#### Sulcha Project

The property is located approximately 55km to the east of the coastal town of Trujillo. Between May to July 2006 the property was tested with diamond drilling into the zones that had yielded high grade surface rock chip assays for silver and gold.

The results did not produce any continuous grades that were considered probable to give economic tonnages. Hence, the Company's interest in the property was relinquished after all relevant landholder agreements and government permit obligations had been discharged.

## Financial Review

During 2006, the Group continued to focus on advancing the Leon project and its exploration properties in South America. Capitalised exploration and feasibility study expenditure during the year amounted to £3.6 million, which brings the total capitalised expenditure to date to £5.6 million. Expenditure totalling £610,000 has been written-off during 2006, relating to the Group's Sulcha project in Peru and certain parts of the regional exploration programme around Leon, where results did not warrant further exploration. A provision has been made against expenditure, totalling £321,000, at the Rachaite property in Argentina, pending the outcome of joint venture negotiations. The majority of the remaining expenditure, totalling £4.7 million at 31 December 2006, relates to the Group's Leon project.

In addition to the Group's projects, our most significant asset is our strong cash position, which totalled £14.0 million at 31 December 2006. Interest earned on this in 2006 totalled £784,000, helping to cover part of the administrative costs of the Group.

During the year ended 31 December 2006, the Group made a consolidated net loss of £3.3 million. In addition to ongoing administrative costs for the Group, this included a number of one-off

and non-cash items: £931,000 of exploration costs written-off or provided for as set out above, share option costs totalling £496,000 calculated in accordance with FRS 20, a new accounting standard for 2006, and exchange losses of £669,000 resulting from the weakening of the US dollar against Sterling during 2006. The Group raised equity funds in Sterling in 2006, but decided in the first half of 2006 to hold a significant portion of cash reserves in US dollars, the currency of the majority of its ongoing project expenditure.

## Risks

### Business

The business of exploring for minerals and mining involves a high degree of technical risk. In addition, like all businesses, the Group is exposed to a number of financial risks. The Board adopts a prudent approach to minimise these risks as far as practicable, consistent with the corporate objective of the Group. These risks and the Company's policies are summarised below.

### Technical risks

Mining industry statistics show that only a small proportion of the properties that are explored are ultimately developed into producing mines. Moreover, of these, not all provide an economic return on capital employed. The prospects and projects presently being assessed by the Group may not contain economically recoverable volumes of minerals or metals. The operations of the Group may be disrupted by a variety of risks and hazards which are beyond the control of the Group.

As is common with all mining operations there is uncertainty and therefore risk associated with the Group's operating parameters and therefore costs. Should economically recoverable volumes of minerals or metals be found it can take a number of years from the initial phases of drilling and identification of mineralisation until production is possible, during which time the economic feasibility of production may change.

Substantial expenditure is required to establish reserves, to conduct feasibility studies and to develop the mining and processing facilities and infrastructure. Although substantial benefits may be derived from the discovery of a significant mineralised deposit, no assurance can be given that minerals will be discovered in sufficient quantities or having sufficient grade to justify commercial operations, or that funds required for development can be obtained on a timely basis.

The economics of developing and operating mines are affected by many factors, including capital and operating costs, geological, mining and mineral processing, government regulations, importing and exporting of minerals and environmental.

### Metal prices

Factors beyond the control of the Group may affect the market price of metals mined which in turn may render operations and/or ore reserves uneconomic.

### Uninsured risks

In the course of exploration, development and production of mineral properties, it is not always possible to fully insure against some risks. Should such liabilities arise, they could reduce or eliminate any future profitability and have a material adverse effect on the Group's results.

### Environmental and other regulatory requirements

The activities of the Group are subject to environmental regulations. A breach of such legislation may result in the imposition of fines, penalties and other adverse effects on activities.

### Financial

In addition to the financial risks set out below, the disclosures set out in Note 13 to the Financial Statements set out the policies and procedures undertaken by the directors to manage the financial risk exposure of the Company and the Group.

### Currency exchange risk

The Group reports its financial results in Sterling, while the markets for gold, silver and copper (and nearly all other metals) are principally denominated in US Dollars and a proportion of the Group's costs are incurred in local currencies, in particular the Argentinean Peso and the Peruvian Nuevo Sol. Accordingly, if either of these currencies were to strengthen against the US Dollar or Sterling, this could have a detrimental effect on the Group's results or financial condition.

### Liquidity

The Group to date has relied upon shareholder funding of its activities. Further exploration and development of one or more of the Group's properties may be dependent upon the Group's ability to obtain financing through joint ventures, equity or debt financing or other means. Although the Group has been successful in the past in obtaining equity financing there can be no assurance that the Group will be able to obtain adequate financing in the future or that the terms of such financing will be favourable.

## New Business

The mining industry has enjoyed excellent market conditions for the last few years. Demand across the board for metals and minerals has been extraordinary. However, this masks some fundamental problems and challenges. Namely, mining companies have had difficulties keeping up supply, skilled and qualified personnel are scarce, and salaries and wages have risen accordingly, the availability and timely delivery of equipment and consumables has been stretched, and permitting is more onerous. Moreover, as an industry centred on a depleting asset, the replenishment of ore reserves to keep up with the world's voracious appetite for metals is becoming increasingly difficult. It is not surprising that the world's major mining companies, and those of lesser size, see mergers and acquisitions as an easier option than being dependent upon the serendipity of exploration.

Although currently at the other end of the company size scale, consistent with our growth objective, Alexander maintained a large effort in identifying and evaluating new business opportunities. Our policy remains to be active in several countries to alleviate political risk, focus as much as possible on a metals mix of copper, gold and silver, to mitigate price risks, and at different stages of the mining cycle to diversify project risk. However, the prevailing market conditions has meant that vendor valuation expectations are often inflated and, although in depth analysis was undertaken on several opportunities, they did not progress. Notwithstanding, we remain confident that with the currently more realistic valuations our efforts will be more fruitful.

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## Directors and Advisers



## 1 Matthew Sutcliffe Chairman and CEO

Matt Sutcliffe graduated from the University of Nottingham in 1990 with a PhD in mining engineering. He is also a chartered engineer and worked as a mining engineer in underground nickel mines from 1990 to 1994 with Inco Limited, within its Manitoba division. He also has additional experience in operating gold and coal mines gained whilst working with Gencor and British Coal. For 10 years before founding the Company he worked in the City of London as a mining analyst and corporate financier specialising in the resources sector.

During this time he was a mining analyst at T Hoare & Co head of mining at Williams de Broe and a director of corporate finance at Evolution Beeson Gregory (now Evolution Securities). At Evolution Beeson Gregory he advised a large number of public natural resources companies, as well as arranging a number of equity listings for junior and mid-tier mining and oil and gas companies on AIM. Whilst at both Williams de Broe and Evolution Beeson Gregory he was recognised as one of the industry pioneers for listing mining companies on AIM.

## 2 Martin Rosser Director of Business Development

Martin Rosser is a chartered mining engineer who has 25 years' practical industry and financial markets experience since graduating with a degree in mining engineering from the Camborne School of Mines in 1981. Initially he spent five years working as a mining engineer in Australia, both on underground and surface gold mines including time with Western Mining Corporation as Shaft Superintendent at Central Norseman. In 1987, he returned to the UK and worked as a mining analyst with two City stockbrokers before he joined the FSA authorised and regulated natural resources industry specialist firm of David Williamson Associates Limited (DWA - now VSA Resources Limited - VSA) in 1989 as a founder employee and then executive director. During his time with DWA/VSA, until joining Alexander in June 2005 he developed extensive worldwide mining industry contacts in the course of providing corporate finance and investor relations services to the firm's clients seeking exposure to European investment institutions.

## 3 James Ashcroft Non-executive Director

James Ashcroft is a mining graduate with over 40 years' experience in coal and base metals operations. Mr Ashcroft is a professional engineer in Ontario and Chartered Engineer in the UK. He was president of Inco Ltd in Ontario. He is a director of FNX Mining Ltd, Guyana Goldfields Inc, Hudbay Minerals Inc and Patent Enforcement and Regulations Ltd.

## 4 James Bunyan Non-executive Director

James Bunyan holds an MBA from Warwick University and a BSc in Biochemistry from Heriot Watt. He specialises in corporate development with international business development across a broad range of industrial and commercial sectors worldwide. Mr Bunyan has proven business skills in strategic business planning, mergers, acquisitions, disposals, turnarounds and fundraising, with particular experience in mining. Mr Bunyan was for five years a director of Tiberon Minerals Ltd which developed the Nui Phao deposit in Vietnam from an exploration concept to one of the largest Tunstun polymetallic deposits in the world.

## 5 Roger Davey Non-executive Director

Roger Davey is a chartered mining engineer and a graduate of the Camborne School of Mines, with over thirty years' experience in the mining industry. He is presently an Assistant Director and the Senior Mining Engineer at N M Rothschild (London) in the Mining and Metals project finance team, where for the last eight years he has had responsibility for the assessment of the technical risks associated with current and prospective project loans. Prior to this, his experience covered the financing, development and operation of both underground and surface mining operations in gold and base metals at senior management and Director level in South America, Africa and the United Kingdom. This includes from 1994 - 1997 being the General Manager of Minarco (AngloGold) subsidiaries in Argentina, where he was responsible for the development of the US\$270m Cerro Vanguardia gold-silver mine.

## 6 Gordon Lewis Non-executive Director

Gordon Lewis is a mining engineer with considerable senior management and practical experience in planning, building and managing mining operations on time and on budget in emerging market country locations. He graduated from Melbourne University in 1971 with a Bachelor degree in Engineering and then went on to take his Master of Engineering at McGill University in Canada. Gordon is a Member of the Australasian Institute of Mining and Metallurgy and holds a First Class Mine Manager's Certificate, South Australia.

His experience also includes from 1990-95 Manager Mining for the Rio Tinto 90% owned PT Kelian Equatorial Mining, which operated the large Kelian open pit gold mine in Indonesia and, from 1986-90, senior mining and commercial positions at the world class Bougainville copper mine in Papua New Guinea. More recently he held executive positions with Avocat Mining plc, which has gold mines in Indonesia and Malaysia.

He is currently Chief Executive Officer of Anglo Asian Mining PLC.

## 7 David Norwood Non-executive Director

David Norwood is a modern history graduate from Keble College Oxford. He began his career as an FX trader with Bankers Trust. Subsequently he worked for Duncan Lawrence and Williams de Broe arranging finance for technology companies. In 1999 he formed IndexIT to provide specialist advice to early stage technology companies. IndexIT was acquired by Beeson Gregory in 2000 and Mr Norwood joined the board and spent some time as CEO. Beeson Gregory was acquired by Evolution Securities in 2002 and Mr Norwood became non executive director until 2004. He is currently Chairman of IP Group plc, an AIM quoted IP company specialising in commercialising university technology.

## Company Secretary

E Carr

## Directors

M L Sutcliffe  
M L Rosser  
J W Ashcroft  
J S Bunyan  
R O Davey  
G V Lewis  
D R Norwood

## Company Registration No

5357433

## Registered Office

1st Floor, 35 Piccadilly  
London W1J 0DW  
United Kingdom

## Argentina Office

Ejército del Norte  
Salta 4400  
Salta Province  
Argentina

## Registrars

Capita Registrars  
Northern House  
Woodsome Park  
Fenay Bridge  
Huddersfield  
West Yorkshire HD8 0LA

## Nominated Adviser and Broker

Arbutnot Securities Limited  
Arbutnot House  
20 Ropemaker Street,  
London EC2Y 9AR

## Solicitors to the Company

Norton Rose  
Kempson House  
Carnomile Street  
London EC3A 7AN

## Geological Consultants

ACA Howe International Limited  
254 High Street  
Berkhamstead  
Hertfordshire HP4 1AQ

## Bankers

HSBC Bank plc  
455 Strand  
London WC2R 0RH

## Auditors

PKF (UK) LLP  
Farningdon Place  
20 Farningdon Road  
London EC1M 3AP

## Corporate and social responsibility

The Company's core values are

- To be a good corporate citizen, demonstrating integrity in each business and community in which we operate
- To be open and honest in all our dealings, while respecting commercial and personal confidentiality
- To be objective, consistent and fair with all our stakeholders
- To respect the dignity and wellbeing of all our stakeholders and all those with whom we are involved
- To operate professionally in a performance-orientated culture and be committed to continuous improvement

### Our Stakeholders

We are committed to developing mutually beneficial partnerships with our stakeholders throughout the life cycle of our activities and operations. Our principal stakeholders include our shareholders, employees, their families, and employee representatives, the communities in which we operate, our business partners and local and national governments.

### Environmental Policy

The Company is aware of the potential impact that its operations may have on the environment. It will ensure that all of its activities and operations incur the minimum environmental impact possible.

The Company intends to meet or exceed international standards of excellence with regard to environmental matters. Our operations and activities will be in compliance with applicable laws and regulations. We will adopt and adhere to standards that are protective of both human health and the environment. For our operations we will develop and implement closure and reclamation plans that provide for long-term environmental stability and suitable post-mining beneficial land-uses at all relevant sites.

Each employee (including contractors) will be held accountable for ensuring that those employees, equipment, facilities and resources within their area of responsibility are managed to comply with this policy and to minimise environmental risk.

### Ethical Policy

The Company is committed to comply with all laws, regulations, standards and international conventions which apply to our businesses and to our relationships with our stakeholders. Where laws and regulations are non-existent or inadequate, we will maintain the highest reasonable standards appropriate. We will in an accurate, timely and verifiable manner, consistently disclose material information about the company and its performance. This will be readily understandable by appropriate regulators, our stakeholders and the public. We will endeavour to make sure that no employee acts in a manner that would in any way contravene these principles. The company will take the appropriate disciplinary action concerning any contravention.

### Community Policy

The Company's aim is to have a positive impact on the people, cultures and communities in which it operates. It will be respectful of local and indigenous people, their values, traditions, culture and the environment. The Company will also strive to ensure that surrounding communities are informed of, and where possible, involved in, developments which affect them, throughout the life cycle of our operations. It will undertake social investment initiatives in the areas of need where we can make a practical and meaningful contribution.

### Labour Policy

The Company is committed to upholding fundamental human rights and, accordingly, we seek to ensure the implementation of fair employment practices. The Company will also commit to creating workplaces free of harassment and unfair discrimination.

### Health & Safety Policy

The Company is committed to complying with all relevant occupational health and safety laws, regulations and standards. In the absence thereof, standards reflecting best practice will be adopted.

## Corporate governance

### Code of best practice

The listing rules of the Financial Services Authority incorporate the Combined Code, which sets out the principles of Good Governance, and the Code of Best Practice for listed companies. The Board intends that, so far as is relevant for a company of its size and stage of development, it will comply with the Combined Code. The Board has established appropriately constituted Audit and Remuneration Committees with formally delegated responsibilities.

### The Board of Directors

The Board of Directors currently comprises seven members, two executive directors and five non-executive directors. The Board has a wealth of both corporate finance and mining experience, from exploration, development and through to production. The structure of the Board ensures that no one individual or group dominates the decision making process.

The Board ordinarily meets on a monthly basis providing effective leadership and overall management of the Group's affairs through the schedule of matters reserved for its decision. This includes the approval of the budget and business plan, major capital expenditure, acquisitions and disposals, risk management policies and the approval of financial statements. All directors have access to the advice and services of the Company's solicitors and the Company Secretary who is responsible for ensuring that all Board procedures are followed. Any director may take independent professional advice at the Company's expense in the furtherance of their duties.

### The Audit Committee

The Audit Committee, which meets not less than twice a year, considers the Group's financial reporting (including accounting policies) and internal financial controls. The Audit Committee, which comprises Mr J Bunyan (Chairman) and Mr D Norwood, receives reports from management and external auditors to enable it to fulfil its responsibility for ensuring that the financial performance of the Group is properly monitored and reported on. In addition, it keeps under review the scope, cost and results of the external audit, and the independence and objectivity of the external auditors.

### The Remuneration Committee

The Remuneration Committee, which meets when necessary, is responsible for making recommendations to the Board on directors' and senior executives' remuneration. The committee comprises Mr J Ashcroft (Chairman) and Mr D Norwood. Non-executive directors' remuneration and conditions are considered and agreed by the Board.

Financial packages for executive directors are established by reference to those prevailing in the employment market for executives of equivalent status both in terms of level of responsibility of the position and their achievement of recognised job qualifications and skills. The Committee will also have regard to the terms which may be required to attract the equivalent experienced executive to join the Board from another company.

### Internal Controls

The directors acknowledge their responsibility for the Company's systems of internal controls and for reviewing their effectiveness. These internal controls are designed to safeguard the assets of the Company and to ensure the reliability of financial information for both internal use and external publication. Whilst the directors acknowledge that no internal control system can provide absolute assurance against material misstatement or loss, they have reviewed the controls that are in place and are taking the appropriate action to ensure that the systems continue to develop in accordance with the growth of the Company.

### Relations with Shareholders

The Board attaches great importance to maintaining good relations with its shareholders. Extensive information about the Company's activities is included in the Annual Report and Accounts and Interim Reports, which are sent to all shareholders. Market sensitive information is regularly released to all shareholders concurrently in accordance with stock exchange rules. The Annual General Meeting provides an opportunity for all shareholders to communicate with and to question the Board on any aspect of the Group's activities. The Company maintains a corporate website where information on the Company is regularly updated and all announcements are posted as they are released. The Company welcomes communication from both its private and institutional shareholders.

### Share dealing

The Company has adopted a share dealing code for Directors and relevant employees in accordance with the AIM Rules and will take proper steps to ensure compliance by the Directors and those employees.

## Directors' report

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2006

### Principal activities

The principal activity of the Group is the exploration for, and the development of, base and precious metals mining projects. The Group's objective is to become a diversified mid-size mining group by a combination of the exploration of its existing properties, which may lead to the economic development thereof, and the acquisition of advanced projects and producing operations

### Business Review

A review of the business and the future developments of the Group is set out on pages 6 to 13

### Results

The Group made a consolidated net loss for the year of £3,331,000 (2005: £1,260,000 as restated on adoption of FRS20 'Share-based payment'). The directors do not recommend the payment of a dividend

### Financial Risk Management

The Group's approach to financial risk management is addressed in the Business Review on page 13 with additional disclosures set out in Note 13 to the Financial Statements

### Going concern

Based on a review of the Group's budgets and cash flows, the directors are satisfied that the Group has sufficient cash resources to continue its operations and to meet its commitments for the foreseeable future. The accounts have therefore been prepared on a going concern basis

### Share capital and share options

Details of the share capital of the Company at 31 December 2006 are set out in Note 14 to the financial statements. Details of the share options outstanding at 31 December 2006 are set out in Note 16 to the financial statements

An ordinary resolution will be proposed at the annual general meeting to grant the Directors authority to allot unissued shares up to an aggregate nominal value of £6,726,733, which is equal to approximately one half of the issued ordinary share capital of the Company

A special resolution will be proposed at the annual general meeting to grant the directors authority to allot unissued shares for cash without first offering them to existing shareholders, limited to an aggregate nominal amount of £6,726,733 which is equal to approximately one half of the issued ordinary share capital of the Company

## Directors

The directors of the Company who held office at the year-end and their beneficial interests in the shares of the Company are as follows

	Shares held at 31 December 2006 Number	Shares held at 31 December 2005 Number
M L Sutcliffe	10,906,000	10,906,000
M L Rosser (appointed 1 August 2006)	-	-
J W Ashcroft	-	-
J S Bunyan	-	-
R O Davey (appointed 1 August 2006)	-	-
G V Lewis	-	-
D R Norwood	-	-
	10,906,000	10,906,000

Mr J R Hodder resigned as a director of the Company on 1 September 2006

In accordance with the Company's Articles of Association, Messrs M Rosser and R Davey, who were appointed during the year, will retire and Messrs M L Sutcliffe and D R Norwood will retire by rotation at the Annual General Meeting, and being eligible all four offer themselves for re-election

Other than their service contracts, no director has a material interest in a contract with the Company. Details of directors' remuneration is set out in Note 4 to the financial statements

During the year, directors' and officers' liability insurance was maintained for directors and other officers of the Group as permitted by the Companies Act 1985

The directors' interests in share options are as follows

	Options held at 31 December 2006	Exercise price (pence)	Date of grant	First date of exercise	Final date of exercise
M L Sutcliffe	1,000,000	30p	23 March 2005	23 March 2007	22 March 2015
J W Ashcroft	250,000	30p	23 March 2005	23 March 2007	22 March 2015
J S Bunyan	250,000	30p	23 March 2005	23 March 2007	22 March 2015
D R Norwood	250,000	30p	23 March 2005	23 March 2007	22 March 2015
M L Rosser	500,000	30p	31 May 2005	31 May 2007	30 May 2015
M L Rosser	250,000	30p	1 August 2006	1 August 2008	31 July 2016
G V Lewis	1,000,000	30p	1 July 2005	1 July 2007	30 June 2015
R O Davey	250,000	30p	1 August 2006	1 August 2008	31 July 2016

No options were exercised or lapsed during this period

## Substantial shareholdings

As at 31 December 2006, the Company was aware of the following holdings of 3% or more in the Company's issued share capital

	Number of shares in Alexander Mining plc	Approximate percentage of the Company's issued share capital <sup>1</sup>
M L Sutcliffe	10,906,000	8.1%
JP Morgan Asset Management (UK) Limited	8,000,000	5.9%
Scottish Widows Investment Partnership	7,150,000	5.3%
S L Lamoine	7,144,000	5.3%
Hermes Investment Management Limited	6,875,000	5.1%
Artemis Investment Management Limited	5,795,000	4.3%

Note 1

Based on 134,534,667 shares issued as at 31 December 2006

## Directors' report

### Payment to suppliers

The Group's policy on the payment of suppliers is to settle the terms of the payments with those suppliers when agreeing the terms of each transaction, ensure that those suppliers are made aware of the terms of payment, and abide by the terms of payment

At the year-end there were 30 days (2004 5 days) purchases in Group trade creditors

### International Financial Reporting Standards

For the year ending 31 December 2007, the Group will be required under European Union law to prepare its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). These financial statements will include comparative information for the year ended 31 December 2006 also prepared in accordance with IFRS

The Group is in the process of completing the work for the conversion of the financial statements to IFRS. The interim results for the six months ending 30 June 2007 will be prepared in accordance with IFRS and full details of all adjustments to accounting policies, together with a reconciliation of the profit and loss account and balance sheet at 31 December 2006, will be published with the interim financial statements

### Political and charitable contributions

The Group has made no political or charitable donations in the year (2005 nil)

### Annual general meeting ("AGM")

The Notice convening the Company's AGM, to be held on 13 June 2007, is set out on page 40 of this report. Full details of the resolutions proposed at that meeting may be found in the Notice

### Corporate governance statement

A report on corporate governance and compliance with provisions of the Combined Code is set out on page 17

### Provision of information to auditors

In the case of each of the directors who are directors of the company at the date when this report is approved

- So far as they are individually aware, there is no relevant audit information of which the company's auditors are unaware, and
- Each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of the information

### Auditors

PKF (UK) LLP have confirmed their willingness to continue in office, and a resolution concerning their re-appointment and remuneration will be proposed at the next Annual General Meeting

### Statement of directors' responsibilities

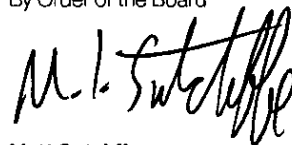
The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group, and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

By Order of the Board



**Matt Sutcliffe**  
Chief Executive  
26 April 2007

# Independent Auditor's report to the members of Alexander Mining plc

We have audited the group and parent company financial statements ('the financial statements') of Alexander Mining plc for the year ended 31 December 2006 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom accounting standards ('United Kingdom Generally Accepted Accounting Practice') are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the directors' report is consistent with the financial statements. The information in the directors' report includes that specific information presented in the business review that is cross-referenced from the business review section of the directors' report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the chairman's statement, the directors' report and the business review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2006 and of the group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



**PKF (UK) LLP**  
Registered Auditors  
London, UK  
27 April 2007

## Accounting policies

### Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The principal accounting policies of the Company are set out below

### Basis of consolidation

The Company was incorporated on 8 February 2005. On 22 March 2005 the Company acquired Alexander Gold Group Limited ("AGGL"), a company incorporated in the British Virgin Islands on 8 December 2003, by way of a share for share exchange. This acquisition has been consolidated in accordance with the merger accounting principles set out in Financial Reporting Standard 6 and Schedule 4(A) to the Companies Act 1985.

In the Company's balance sheet, the investment in AGGL is stated at the nominal value of the shares issued in consideration for that company. As permitted by the Companies Act 1985, no premium has been recorded on the shares issued in consideration. On consolidation, the difference between the value of the shares issued and received has been debited directly to the merger reserve.

Merger accounting requires consolidated financial statements to be presented as if the companies had been combined throughout the current and previous periods and at the previous balance sheet dates. Accordingly, the consolidated financial statements include the results and cash flows of AGGL from 1 January 2005. The comparative period is presented as pro-forma information because this period commences prior to the date of formation of the Company.

The consolidated financial statements include the financial statements of the Company's other subsidiary undertakings using the acquisition method of accounting. Under this method the results of the acquired entity are included in the consolidated profit and loss account from the date of acquisition.

The Group's share of the profits less losses of associates is included in the consolidated profit and loss account and its interest in their net assets is included in investments in the consolidated balance sheet.

### Intangible fixed assets

Intangible fixed assets represent costs associated with mineral exploration, which are capitalised on a project-by-project basis, pending determination of the feasibility of the project. Costs incurred include appropriate technical and administrative expenses but not general overheads. If an exploration project is successful, the related expenditures will be transferred to mining assets and amortised over the estimated life of the commercial ore reserves on a unit of production basis. Where a project is relinquished, abandoned, or is considered to be of no further commercial value to the Group, the related costs are written off.

The recoverability of these deferred exploration costs is dependent upon the discovery of economically recoverable ore reserves, the ability of the Group to obtain necessary permitting and financing to complete the development of ore reserves and future profitable production or proceeds from the disposition thereof.

### Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Office equipment and furniture	3 years
Leasehold improvements	3 years
Motor vehicles	3 years

### Investments

Investments are recorded at cost less amounts written off.

### Functional and foreign currencies

The Company is considered to have a Sterling functional currency. Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Any exchange differences arising from the retranslation of the opening net investment in subsidiary undertakings are taken directly to reserves.

### Liquid resources

Liquid resources consist of current assets that are disposable by the Group without curtailing or disrupting its business and are readily convertible into a known amount of cash at close to their carrying amount. They consist of short term deposits realisable at more than 24 hours notice.

### Deferred taxation

Deferred taxation is recognised on all timing differences where transactions or events that give the Group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are only recognised when they arise from timing differences where their recoverability is regarded as being probable. Deferred tax balances are not discounted.

### Operating leases

Operating lease rentals are charged to the profit and loss account over the term of the lease.

### Share based payments

Equity settled share-based payments are measured at fair value at the date of grant and expensed on a straight-line basis over the vesting period, based on an estimate of shares that will eventually vest.



## Consolidated profit and loss account

For the year ended 31 December 2006

	Notes	Year ended 31 December 2006 £'000	Pro-forma year ended 31 December 2005 restated £'000
Administrative expenses		(2,495)	(1,889)
Exploration and development expenses		(931)	–
<b>Operating loss</b>	3	<b>(3,426)</b>	<b>(1,889)</b>
Provision against investment in Associate		–	(73)
Interest receivable		784	708
Interest payable and similar charges	5	(669)	(6)
<b>Loss on ordinary activities before taxation</b>	2	<b>(3,311)</b>	<b>(1,260)</b>
Tax on loss on ordinary activities	6	(20)	–
<b>Loss on ordinary activities after taxation and retained for the period</b>		<b>(3,331)</b>	<b>(1,260)</b>
Basic and diluted loss per share (pence)	7	(2 48)p	(1 08)p

All amounts relate to continuing operations

## Consolidated statement of total recognised gains and losses

For the year ended 31 December 2006

	Notes	Year ended 31 December 2006 £'000	Pro-forma year ended 31 December 2005 restated £'000
Loss for the period		(3,331)	(1,260)
Exchange loss on foreign currency net investments		(47)	-
<b>Total recognised loss for the period</b>		<b>(3,378)</b>	<b>(1,260)</b>

## Consolidated reconciliation of movements in shareholders' funds

For the year ended 31 December 2006

	Notes	Year ended 31 December 2006 £'000	Pro-forma year ended 31 December 2005 restated £'000
Loss for the period		(3,331)	(1,260)
Exchange loss on foreign currency net investments		(47)	–
Share option costs recognised in reserves	16	496	337
Share capital subscribed – Alexander Mining plc		–	18,516
Share capital subscribed – Alexander Gold Group Limited		–	3,506
<b>Movement in shareholders' funds</b>		<b>(2,882)</b>	<b>21,099</b>
Shareholders' funds at start of period		21,597	498
<b>Shareholders' funds at end of period</b>		<b>18,715</b>	<b>21,597</b>

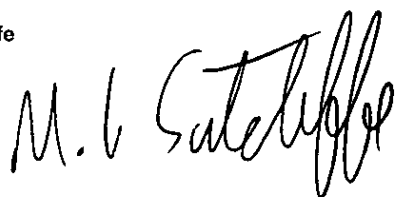
## Consolidated balance sheet

As at 31 December 2006

	Notes	As at 31 December 2006 £'000	As at 31 December 2005 restated £'000
<b>Fixed assets</b>			
Intangible fixed assets	8	4,716	2,253
Tangible fixed assets	9	54	73
Investments	10	100	100
		<b>4,870</b>	<b>2,426</b>
<b>Current assets</b>			
Debtors	11	222	539
Cash at bank and in hand		2,184	1,982
Short term bank deposits		11,814	17,018
		<b>14,220</b>	<b>19,539</b>
<b>Creditors amounts falling due within one year</b>	12	<b>(375)</b>	<b>(368)</b>
<b>Net current assets</b>		<b>13,845</b>	<b>19,171</b>
<b>Total assets less current liabilities</b>	2	<b>18,715</b>	<b>21,597</b>
<b>Capital and reserves</b>			
Called up share capital	14	13,453	13,453
Share premium account	15	11,850	11,850
Merger reserve	15	(2,487)	(2,487)
Share option reserve	15	833	337
Profit and loss account	15	(4,934)	(1,556)
<b>Shareholders' funds</b>		<b>18,715</b>	<b>21,597</b>

These financial statements were approved by the Board of Directors and authorised for issue on 26 April 2007 and were signed on their behalf by

M L Sutcliffe  
Director



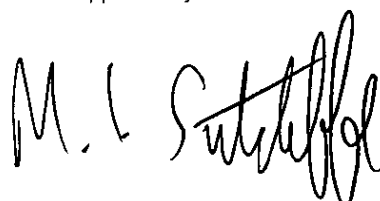
# Company balance sheet

As at 31 December 2006

	Notes	As at 31 December 2006 £'000	As at 31 December 2005 restated £'000
<b>Fixed assets</b>			
Intangible fixed assets	8	31	54
Tangible fixed assets	9	27	52
Investments	10	6,887	6,887
		<b>6,945</b>	<b>6,993</b>
<b>Current assets</b>			
Debtors – due within one year	11	193	639
Debtors – due after more than one year	11	3,245	–
Cash at bank and in hand		1,687	1,813
Short term bank deposits		11,676	17,018
		<b>16,801</b>	<b>19,470</b>
<b>Creditors amounts falling due within one year</b>	12	<b>(171)</b>	<b>(1,671)</b>
<b>Net current assets</b>		<b>16,630</b>	<b>17,799</b>
<b>Total assets less current liabilities</b>		<b>23,575</b>	<b>24,792</b>
<b>Capital and reserves</b>			
Called up share capital	14	13,453	13,453
Share premium account	15	11,850	11,850
Share option reserve	15	833	337
Profit and loss account	15	(2,561)	(848)
<b>Shareholders' funds</b>		<b>23,575</b>	<b>24,792</b>

These financial statements were approved by the Board of Directors and authorised for issue on 26 April 2007 and were signed on their behalf by

M L Sutcliffe  
Director



## Consolidated cash flow statement

For the year ended 31 December 2006

	Notes	Year ended 31 December 2006 £'000	Pro-forma year ended 31 December 2005 £'000
<b>Net cash outflow from operating activities</b>	20	(1,574)	(1,756)
<b>Returns on investment and servicing of finance</b>		887	494
Interest received		887	494
Interest paid and similar charges		—	(6)
<b>Net cash inflow from returns on investment and servicing of finance</b>		887	488
<b>Taxation</b>		(3)	—
<b>Capital expenditure and financial investment</b>		(24)	(107)
Purchase of tangible fixed assets		(3,572)	(1,940)
Purchase of intangible fixed assets		—	(32)
Investment in associated undertaking		—	(100)
Acquisition of other investments		—	(100)
<b>Net cash outflow from capital expenditure and financial investment</b>		(3,596)	(2,179)
<b>Management of liquid resources</b>		4,580	(16,498)
Transfer from/(to) short term bank deposits		4,580	(16,498)
<b>Net cash inflow/(outflow) before financing</b>		294	(19,945)
<b>Financing</b>		—	20,000
Issue of shares by Alexander Mining plc		—	3,371
Issue of shares by Alexander Gold Group Limited		—	(1,483)
Share issue costs		—	(1,483)
<b>Net cash inflow from financing</b>		—	21,888
<b>Increase in cash</b>	21	294	1,943

# Notes to the financial statements

For the year ended 31 December 2006

## 1 Adoption of FRS20 – Share-based payment

The Group has adopted Financial Reporting Standard (FRS) 20 'Share-based Payment' during the year. The adoption of this standard constitutes a change in accounting policy. Therefore, the impact has been reflected as a prior year adjustment in accordance with Financial Reporting Standard 3.

The standard requires that where shares or rights to shares are granted to third parties, including employees, a charge should be recognised in the profit and loss account based on the fair value of the shares at the date the grant of shares or right to shares is made.

All share options have been granted by the parent company, Alexander Mining plc. The impact of the adoption of FRS 20 has been the same in both the consolidated and company only profit and loss account and balance sheet.

For the year ended 31 December 2006, the adoption of FRS 20 has increased operating loss and retained loss for the year by £496,000, and increased loss per share by 0.37p.

The effect of the adoption of FRS 20 on prior year consolidated comparatives for the year ended 31 December 2005 is as follows:

	As previously reported £'000	Impact of FRS 20 £'000	As restated £'000
Operating loss	(1,552)	(337)	(1,889)
Loss for the year	(923)	(337)	(1,260)
Loss per share (pence)	(0.79)p	(0.29)p	(1.08)p

There is no effect on the net assets of the Company at 31 December 2005.

## 2 Analysis of segmental information

All the Group's activities are related to exploration for base and precious metals mining projects in Argentina and Peru. There was no Group turnover in the year (2005: nil).

	The Group	
	31 December 2006 £'000	31 December 2005 £'000
<b>Loss after tax</b>		
UK	(1,997)	(848)
British Virgin Islands	(372)	(322)
Argentina	(621)	(76)
Peru	(341)	(14)
<b>Total</b>	<b>(3,331)</b>	<b>(1,260)</b>
<b>Net assets</b>		
UK	13,511	19,328
British Virgin Islands	421	98
Argentina	4,361	1,860
Peru	422	311
<b>Total</b>	<b>18,715</b>	<b>21,597</b>

## 3 Operating loss

Operating loss is stated after charging:

	The Group	
	31 December 2006 £'000	31 December 2005 £'000
Depreciation	42	36
Operating lease rentals – land and buildings	82	48
Share option costs	496	337
Exploration costs provided for and written-off	931	–

## Notes to the financial statements

For the year ended 31 December 2006

### 4 Directors and employees

Staff costs during the period were as follows

	The Group		The Company	
	31 December 2006 £'000	31 December 2005 £'000	31 December 2006 £'000	31 December 2005 £'000
Directors' emoluments	418	290	418	273
Other staff wages and salaries	523	317	320	254
Social security costs	103	37	54	37
Share based payments	496	337	496	337
	1,540	964	1,288	901

Included within group staff costs above are £215,000 of other staff wages and salaries, which have been capitalised within exploration costs for the year ended 31 December 2006 (31 December 2005 £70,000)

The Group does not contribute towards pension schemes either in the UK or overseas

The average number of employees (including executive directors) during the period was

	The Group		The Company	
	31 December 2006 £'000	31 December 2005 £'000	31 December 2006 £'000	31 December 2005 £'000
Technical	24	8	5	3
Administration	5	4	4	3
	29	12	9	6

Directors' remuneration is set out below

	Annual salary £'000	Fees £'000	Other benefits £'000	Total £'000
<b>Year ended 31 December 2006</b>				
M L Sutcliffe	130	-	15	145
J R Hodder (resigned 1 Sep 06)	11	72	-	83
M L Rosser (appointed 1 Aug 06)	38	-	-	38
R O Davey (appointed 1 Aug 06)	-	10	-	10
G V Lewis	53	12	-	65
J S Bunyan	-	37	-	37
D R Norwood	-	20	-	20
J W Ashcroft	-	20	-	20
	232	171	15	418
<b>Year ended 31 December 2005</b>				
M L Sutcliffe	101	-	15	116
J R Hodder	112	-	-	112
G V Lewis	11	-	-	11
J S Bunyan	-	27	-	27
D R Norwood	-	12	-	12
J W Ashcroft	-	12	-	12
	224	51	15	290



## 5 Interest payable and similar charges

	The Group	
	31 December 2006 £'000	31 December 2005 £'000
Interest payable	-	6
Exchange differences on foreign currency cash balances	669	-
	669	6

## 6 Tax on loss on ordinary activities

The current tax charge for the period differs from the credit resulting from the loss before tax at the standard rate of corporation tax in the UK  
The differences are explained below

	The Group	
	31 December 2006 £'000	31 December 2005 restated £'000
Loss on ordinary activities before tax	(3,311)	(1,260)
Current tax at 30% (2003 30%)	(993)	(378)
<b>Effects of</b>		
Expenses not deductible for tax purposes <sup>1</sup>	285	240
Qualifying depreciation in excess of capital allowances	3	2
Unrelieved tax losses arising in the period	705	136
Minimum income tax charge arising in overseas subsidiary <sup>2</sup>	(20)	-
<b>Tax on loss on ordinary activities</b>	<b>(20)</b>	<b>-</b>

<sup>1</sup>Restated on adoption of FRS 20 'Share-based payment'

<sup>2</sup>Argentinean income tax charge based on net asset value

The group has unused trading tax losses of £2,582,000 (31 December 2005 £557,000) giving rise to deferred tax assets of £775,000 (31 December 2005 £167,000), which have not been recognised in the accounts because there is insufficient evidence of the timing of suitable future taxable profits against which they can be recovered

## 7 Loss per share

The calculation of loss per share is based on a loss of £3,331,000 for the year ended 31 December 2006 (31 December 2005 loss of £1,260,000 restated on adoption of FRS 20 'Share-based payment') and the weighted average number of shares in issue in the year to 31 December 2006 of 134,534,667 (31 December 2005 117,127,000) There is no difference between the diluted loss per share and the loss per share presented

## Notes to the financial statements

For the year ended 31 December 2006

### 8 Intangible fixed assets

#### The Group

	Deferred exploration costs £'000
<b>Cost and net book value</b>	
As at 1 January 2006	2,253
Additions	3,394
Written-off <sup>1</sup>	(610)
Provision <sup>2</sup>	(321)
<b>As at 31 December 2006</b>	<b>4,716</b>

<sup>1</sup>Costs incurred to date at the Group's Sulcha project were written-off during the year together with some of the costs associated with the Leon Regional exploration programme

<sup>2</sup>A provision has been made against costs associated with the Group's Rachaite project pending the outcome of joint venture negotiations and subsequent further exploration results

#### The Company

	Deferred exploration costs £ 000
<b>Cost and net book value</b>	
As at 1 January 2006	54
Additions	154
Written-off <sup>1</sup>	(15)
Provision <sup>2</sup>	(12)
Transfer to subsidiary <sup>3</sup>	(150)
<b>As at 31 December 2006</b>	<b>31</b>

<sup>1</sup>Deferred exploration costs at the Group's Sulcha project were written-off during the year

<sup>2</sup>A provision has been made against costs associated with the Group's Rachaite project pending the outcome of joint venture negotiations and subsequent further exploration results

<sup>3</sup>Deferred exploration costs at the Group's Leon project have been recharged to Alexander Gold Group Limited under an inter-company service agreement during the year

## 9 Tangible fixed assets

### The Group

	Leasehold improvements £'000	Office equipment and furniture £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>				
As at 1 January 2006	35	48	26	109
Additions	–	7	16	23
<b>As at 31 December 2006</b>	<b>35</b>	<b>55</b>	<b>42</b>	<b>132</b>
<b>Depreciation</b>				
As at 1 January 2006	(11)	(16)	(9)	(36)
Charged in year	(12)	(18)	(12)	(42)
<b>As at 31 December 2006</b>	<b>(23)</b>	<b>(34)</b>	<b>(21)</b>	<b>(78)</b>
<b>Net book value</b>				
<b>As at 31 December 2006</b>	<b>12</b>	<b>21</b>	<b>21</b>	<b>54</b>
As at 31 December 2005	24	32	17	73

### The Company

	Leasehold improvements £'000	Office equipment and furniture £'000	Total £'000
<b>Cost</b>			
As at 1 January 2006	35	43	78
Additions	–	1	1
<b>As at 31 December 2006</b>	<b>35</b>	<b>44</b>	<b>79</b>
<b>Depreciation</b>			
As at 1 January 2006	(11)	(15)	(26)
Charged in year	(12)	(14)	(26)
<b>As at 31 December 2006</b>	<b>(23)</b>	<b>(29)</b>	<b>(52)</b>
<b>Net book value</b>			
<b>As at 31 December 2006</b>	<b>12</b>	<b>15</b>	<b>27</b>
As at 31 December 2005	24	28	52

# Notes to the financial statements

For the year ended 31 December 2006

## 10 Investments

	The Group		The Company	
	31 December 2006 £'000	31 December 2005 £'000	31 December 2006 £'000	31 December 2005 £'000
Subsidiary undertakings (a)	-	-	6,787	6,787
Other fixed asset investments (b)	100	100	100	100
Investment in associated undertaking (c)	-	-	-	-
	100	100	6,887	6,887

### (a) Company subsidiary undertakings

As at 31 December 2006, the Group owned interests in the following subsidiary undertakings, which are included in the consolidated financial statements

Name	Holding	Business Activity	Country of Incorporation
Alexander Gold Group Limited <sup>1</sup>	100%	Exploration	British Virgin Islands
Molinetes (BVI) Limited	100%	Investment holding	British Virgin Islands
CIA Minera Molinetes SAC <sup>2</sup>	100%	Exploration	Peru
CIA Minera Sulcha SAC <sup>2</sup>	100%	Exploration	Peru

<sup>1</sup>operates a branch in Argentina

<sup>2</sup>owned by Alexander Gold Group Limited

### (b) Other fixed asset investments

During 2005, the Company acquired an interest in 1,165,000 ordinary shares of AU\$0.20 each in Mariana Resources Limited, a company registered in New South Wales, Australia, for a total cost of £99,957. The Company's investment in Mariana Resources Limited represents 3.30% of the issued share capital of that company.

### (c) Investment in associated undertaking

During the year the Group sold its 45% interest in the ordinary shares of an associate, TMAP Investment Limited ("TMAP"), for US\$1, to the other shareholders of TMAP. At 1 January 2006 the cost of the investment in TMAP had been fully provided. Between 1 January 2006 and the date of disposal TMAP operated on a break even basis.

## 11 Debtors

	The Group		The Company	
	31 December 2006 £'000	31 December 2005 £'000	31 December 2006 £'000	31 December 2005 £'000
<b>Amounts due within one year</b>				
Other debtors	44	133	28	133
Other taxes and social security	14	121	7	116
Prepayments and accrued income	164	263	158	252
Amounts due from associated undertaking	-	22	-	-
Amounts due from subsidiary companies	-	-	-	138
	222	539	193	639
<b>Amounts due after more than one year</b>				
Amounts due from subsidiary companies	-	-	3,245	-

## 12. Creditors amounts falling due within one year

	The Group		The Company	
	31 December 2006 £'000	31 December 2005 £'000	31 December 2006 £'000	31 December 2005 £'000
Trade creditors	191	26	65	26
Other creditors	35	8	15	7
Other taxes and social security	28	16	18	16
Accruals and deferred income	104	318	73	107
Corporation tax	17	-	-	-
Amounts due to subsidiary companies	-	-	-	1,515
	<b>375</b>	<b>368</b>	<b>171</b>	<b>1,671</b>

## 13 Financial instruments

The Board of Directors determines, as required, the degree to which it is appropriate to use financial instruments, commodity contracts or other hedging contracts or techniques to mitigate financial risks. The main risks for which such instruments may be appropriate are interest rate risk, liquidity risk and foreign currency risk, each of which is discussed below. There is no perceived credit risk as the Group has no trade receivables and any investments are made in liquid securities with counterparties that have a sound credit rating. All non-routine transactions require board approval.

At 31 December 2006 the Group's financial instruments comprise trade debtors, trade creditors, cash and short term deposits. As permitted by FRS13, "Derivatives and Other Financial Instruments", short term debtors and creditors have been excluded from all financial instrument disclosures other than currency exposure disclosure.

### Derivative financial instruments

The Group does not use hedge accounting for any transactions. During the year ended 31 December 2006 the Group entered into short term over the counter derivative instruments classed as Dual Currency Deposits (DCD's). Sterling deposits were invested on a short term basis, at an enhanced interest rate, with either US Dollars or Sterling received on maturity, depending on the then exchange rate compared to a pre-determined conversion rate. DCD's are used to acquire US Dollars required for operating expenditure. No other derivative financial instruments were used by the Group during the year. There were no derivative instruments outstanding at 31 December 2006.

### Currency risk

The Group reports its financial results in Sterling, while the markets for gold, silver and copper (and nearly all other metals) are principally denominated in US Dollars and a proportion of the Group's costs are incurred in local currencies, in particular the Argentinean Peso and the Peruvian Nuevo Sol. Accordingly, if either of these currencies were to strengthen against the US Dollar or Sterling, this could have a detrimental effect on the Group's results or financial condition.

The Group cannot predict the effect of exchange rate fluctuations upon future operating results and there can be no assurance that exchange rate fluctuations will not have a material adverse effect on its business, operating results or financial condition.

The Group maintains its principal cash deposits in Sterling and US Dollars. The Group has potential currency exposures in respect of items denominated in foreign currencies comprising:

- Transactional exposure in respect of operating costs and capital expenditure incurred in currencies other than the functional currency. The Group transacts a number of contracts in US Dollars and, accordingly, holds a proportion of its reserves in US Dollars.
- Translational exposure in respect of investments in overseas operations which have functional currencies other than Sterling. Any exchange gains and losses from these structural currency differences will be taken to the Statement of Total Recognised Gains and Losses.

The table below shows the extent to which Group companies have monetary assets and liabilities in currencies other than Sterling.

	31 December 2006 £'000	31 December 2005 £'000
US Dollars	5,953	1,539
Euros	19	-
Argentinean Pesos	124	51
Peruvian Soles	-	3
	<b>6,096</b>	<b>1,593</b>

## Notes to the financial statements

For the year ended 31 December 2006

### 13 Financial instruments (continued)

#### Liquidity risk

The Group to date has relied upon shareholder funding of its activities. Further exploration and development of one or more of the Group's properties may be dependent upon the Group's ability to obtain financing through joint ventures, equity or debt financing or other means, and although the Group has been successful in the past in obtaining equity financing there can be no assurance that the Group will be able to obtain adequate financing in the future or that the terms of such financing will be favourable.

#### Interest rate risk profile of financial assets

At 31 December 2006 the Group has Sterling and US dollar denominated cash balances and short term deposits which attract interest as follows

	Deposit £'000	Interest rate
US dollar deposits	5,314	5.3%
GBP deposits	6,500	5.1%

#### Fair values of financial assets and liabilities

The Group has performed a review of the financial assets and liabilities as at 31 December 2006 and has concluded that the fair value of those assets and liabilities is not materially different to book value.

### 14 Share capital

	31 December 2006 Number	31 December 2006 £'000	31 December 2005 Number	31 December 2005 £'000
<b>Authorised</b>				
Ordinary shares of 10p each	240,000,000	24,000	240,000,000	24,000
<b>Allotted, called up and fully paid</b>				
Ordinary shares of 10p each	134,534,667	13,453	134,534,667	13,453

During the year no ordinary shares were issued. During the year the Company issued 1,875,000 options to acquire ordinary shares at an exercise price of £0.30. Details of share options outstanding at 31 December 2006 are set out in Note 16.

### 15 Reserves

#### The Group

	Share premium £'000	Merger reserve £'000	Share option reserve £'000	Profit and loss account £'000
At 1 January 2006 as previously reported	11,850	(2,487)	-	(1,219)
Prior year adjustment	-	-	337	(337)
At 1 January 2006 as restated	11,850	(2,487)	337	(1,556)
Retained loss for period	-	-	-	(3,331)
Exchange loss on foreign currency net investments	-	-	-	(47)
Share option costs recognised in reserves	-	-	496	-
<b>At 31 December 2006</b>	<b>11,850</b>	<b>(2,487)</b>	<b>833</b>	<b>(4,934)</b>

The prior year adjustment represents the impact of the adoption of FRS 20 'Share-based Payment', details of which are set out in Note 1.

The merger reserve represents the difference between the nominal value of shares issued by the Company and the total value of both share capital and share premium of Alexander Gold Group Limited, which was acquired by way of a share for share exchange on 22 March 2005.

## 15 Reserves (continued)

### The Company

	Share premium £'000	Share option reserve £'000	Profit and loss account £'000
At 1 January 2006 as previously reported	11,850	–	(511)
Prior year adjustment	–	337	(337)
At 1 January 2006 as restated	11,850	337	(848)
Retained loss for period	–	–	(1,713)
Share option costs recognised in reserves	–	496	–
<b>At 31 December 2006</b>	<b>11,850</b>	<b>833</b>	<b>(2,561)</b>

The Company has taken advantage of the exemption permitted by Section 230 of the Companies Act 1985 and has not presented its own profit and loss account

## 16 Share based payments

The Group operates an Executive Share Option Plan, under which directors, senior executives and consultants have been granted options to subscribe for ordinary shares. All options are share settled. The number and weighted average exercise prices of share options are as follows

	31 December 2006		31 December 2005	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the period	30p	9,183,333	30p	–
Granted during the period	30p	1,875,000	30p	9,183,333
<b>Outstanding at the end of the period</b>	<b>30p</b>	<b>11,058,333</b>	<b>30p</b>	<b>9,183,333</b>
Exercisable at the end of the period	30p	500,000	30p	500,000

All share options outstanding at 31 December 2006 have an exercise price of £0.30 (2005: £0.30) and a weighted average contractual life of 8.23 years (2005: 8.93 years). To date no share options have been cancelled, exercised or expired. There are no market based vesting conditions attaching to any share options outstanding at 31 December 2006.

At 31 December 2006 the total number of options over ordinary shares outstanding was as follows

Exercise period	Number	Exercise price
23 March 2007 – 22 March 2015	6,100,000	£0.30
22 March 2005 – 22 March 2008	500,000	£0.30
26 May 2007 – 25 May 2015	250,000	£0.30
31 May 2007 – 30 May 2015	500,000	£0.30
6 June 2007 – 5 June 2015	333,333	£0.30
1 July 2007 – 30 June 2015	1,000,000	£0.30
29 September 2007 – 28 September 2015	500,000	£0.30
1 August 2008 – 31 July 2016	500,000	£0.30
21 September 2008 – 20 September 2016	1,275,000	£0.30
1 December 2008 – 30 November 2016	100,000	£0.30
	<b>11,058,333</b>	

The Group has applied FRS 20 to all share options granted after 7 November 2002 and unvested at 1 January 2006. Accordingly, 500,000 share options that vested on 22 March 2005 are excluded from the valuation exercise.

The fair value of services received in return for share options granted is measured by reference to the fair value of the share options granted. This estimate is based on a Black-Scholes model which is considered most appropriate considering the effects of the vesting conditions, expected exercise period and the payment of dividends by the Company.

# Notes to the financial statements

For the year ended 31 December 2006

## 16 Share based payments (continued)

The following inputs were used in the calculation of the fair value of the share options granted

Date of Grant	Mar 05	May 05	Jun 05	Jul 05	Sep 05	Aug 06	Sep 06	Dec 06
Fair value (p)	12 4p	6 1p	7 8p	7 5p	9 5p	9 4p	7 3p	7 2p
Share price (p)	30 0p	20 8p	23 3p	22 8p	25 8p	24 5p	22 0p	22 5p
Exercise price (p)	30 0p	30 0p	30 0p	30 0p	30 0p	30 0p	30 0p	30 0p
Expected volatility <sup>1</sup>	40 0%	40 0%	40 0%	40 0%	40 0%	43 8%	41 1%	38 3%
Option life	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years
Expected dividends	0 0%	0 0%	0 0%	0 0%	0 0%	0 0%	0 0%	0 0%
Risk-free rate of return	4 00%	4 25%	4 50%	4 50%	4 50%	4 50%	4 75%	5 00%

Note 1

Volatility for options granted in 2005 was estimated based on the volatility of similar companies in the mining industry in the period from January 2003 to September 2005

Volatility for options granted in 2006 was estimated based on the Company's daily closing share price during the 12 months prior to the issue of the share option

## 17 Auditors' remuneration

	The Group	
	31 December 2006 £'000	31 December 2005 £'000
Fees payable to the Company's auditor for the audit of the Company's financial statements	20	20
Fees payable to the Company's auditor and its associates in respect of		
The auditing of accounts of associates of the Company pursuant to legislation	11	10
Other services relating to taxation	9	19
Services relating to corporate finance transactions	–	40
Services relating to information technology	2	–
All other services	6	1
	48	90

## 18 Commitments

Annual commitments for the Group under non-cancellable operating leases are as follows

	Land and buildings	
	31 December 2006 £'000	31 December 2005 £'000
Operating leases which expire		
Within one year	17	14
Between two and five years	65	42
	82	56

In addition, the Group has entered into a number of agreements in respect of exploration projects in Argentina and Peru under which payments fall due as follows

Payments falling due	Option payments US\$'000	Exploration commitment US\$'000	Total US\$'000
Within one year	376	252	628
Between two and five years	664	–	664
	1,040	252	1,292

Under these agreements the Group earns an equity interest in the project under certain milestone payments. However, the Group does not have any obligation to make payments under these agreements and can withdraw from these projects without any further ongoing obligations at any time



## 19 Contingent liabilities

There were no contingent liabilities at 31 December 2006 or 31 December 2005

## 20 Net cash outflow from operating activities

	31 December 2006 £'000	31 December 2005 £'000
Operating loss	(3,426)	(1,889)
Depreciation and amortisation charge	42	36
Decrease/(increase) in debtors	210	(299)
Increase in creditors	172	54
Non-cash expenditure	497	342
Intangible fixed assets written-off or provided for	931	–
<b>Net cash outflow from operating activities</b>	<b>1,574</b>	<b>(1,756)</b>

## 21.Reconciliation of net cash flow to movements in net funds

	As at 31 December 2005 £'000	Cash flows £'000	Foreign currency translation differences £'000	As at 31 December 2006 £'000
Cash at bank and in hand	1,982	294	(92)	2,184
Short term bank deposits	17,018	(4,580)	(624)	11,814
<b>Total</b>	<b>19,000</b>	<b>(4,286)</b>	<b>(716)</b>	<b>13,998</b>

## Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Alexander Mining plc will be held at the Holiday Inn London-Mayfair, 3 Berkeley Street, London, W1J 8NE on 13 June 2007 at 10am for the following purposes

### Ordinary Business

To consider and, if thought fit, pass the following Resolutions which will be proposed as Ordinary Resolutions

#### Resolution 1

THAT the Directors' Report and Accounts for the year ended 31 December 2006, together with the Auditor's report thereon, be received and adopted

#### Resolution 2

To re-elect Dr M L Sutcliffe, who retires by rotation in accordance with Article 93 of the Company's Articles of Association and who, being eligible, offers himself for re-election, as a Director

#### Resolution 3

To re-elect Mr D R Norwood, who retires by rotation in accordance with Article 93 of the Company's Articles of Association and who, being eligible, offers himself for re-election, as a Director

#### Resolution 4

To re-elect Mr M L Rosser who was appointed during the year and retires in accordance with Article 88 of the Company's Articles of Association and who, being eligible, offers himself for re-election as a Director

#### Resolution 5

To re-elect Mr R O Davey, who was appointed during the year and retires in accordance with Article 88 of the Company's Articles of Association and who, being eligible, offers himself for re-election, as a Director

#### Resolution 6

THAT PKF (UK) LLP be re-appointed as auditors of the Company from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the shareholders in accordance with the provisions of the Companies Act 1985 and their remuneration be fixed by the Board

### Special Business

To consider and, if thought fit, pass the following resolutions, which, in the case of Resolution 7, will be proposed as an Ordinary Resolution and in the case of Resolution 8, will be proposed as a Special Resolution

#### Resolution 7

The following resolution will be proposed as an Ordinary Resolution

"THAT, in substitution for all existing authorities, the Directors be and they are hereby generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of the said section 80) up to an aggregate nominal amount of £6,726,733 provided that this authority shall expire at the earlier of the conclusion of the next Annual General Meeting of the Company and fifteen months from the date of the passing of this resolution, unless previously renewed, varied or revoked by the Company in general meeting, (save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry, and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired)"

#### Resolution 8

The following resolution will be proposed as a Special Resolution

"THAT, in substitution for all existing authorities, the Directors be and they are hereby empowered pursuant to and in accordance with Section 95 of the Companies Act 1985, to allot equity securities (within the meaning of Section 94(2) of the Act) for cash, as if Section 89(1) of the said Act did not apply to any such allotment, PROVIDED THAT this power shall be limited to

b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £6,726,733,

provided that this authority shall expire at the earlier of the conclusion of the 2008 annual general meeting of the Company and 15 months from the date of this resolution (save that the Company may before such expiry, or the expiry of any renewal of the authority, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer or agreement as if the power granted by this resolution had not expired)"

By order of the Board

E Carr  
Company Secretary  
26 April 2007

a) the allotment of equity securities in connection with a rights issue, open offer or any other pre-emptive offer to holders of ordinary shares or holders of any other class of equity securities, in accordance with the rights attached to such class, where the equity securities respectively attributable to the interests of such persons on a fixed record date are proportionate (as nearly as may be) to the respective numbers of equity securities held by them or are otherwise allotted in accordance with the rights attaching to such equity securities (subject to such exclusions or other arrangements as the Directors consider necessary or expedient to deal with any fractional entitlements, record dates or legal or practical problems arising in connection with the laws of, or the requirements of any regulatory body or stock exchange in any territory), and

## Notes to the Notice of Annual General Meeting

- 1 A member of the Company entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and, on a poll to vote on his or her behalf. A proxy need not also be a member. Completion and return of a Form of Proxy will not preclude a member from attending and voting at the meeting should the member so decide.
- 2 To be valid, the Form of Proxy must be completed and returned so as to reach the Company's Registrars, Capita Registrars at Telford Road, Bicester, OX26 4LD not less than 48 hours before the time appointed for the Annual General Meeting.
- 3 The Company, pursuant to resolution 41(1) of the Uncertified Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company at 10am on 11 June 2007 be entitled to attend and vote at the Annual General Meeting (and for the purpose of determining the number of votes a member may cast).
- 4 The following documents will be available for inspection during normal business hours at the Company's registered office up until the date of the Annual General Meeting and at the place of the meeting from 30 minutes before the start of the meeting on 13 June 2007 until the end of the meeting,
  - i) the Register of the interests of the Directors and their families in the capital of the Company,
  - ii) a copy of the Memorandum and Articles of Association of the Company and
  - iii) the contracts of service of the Directors with the Company or its subsidiary undertakings

## Explanatory notes to the business of the Annual General Meeting

### Ordinary Business

#### Resolution 1

The Board is required to present to the meeting the financial statements, and the reports of the Directors and the Auditors, for the period ended 31 December 2006

#### Resolutions 2 to 5

Resolutions 2 to 5 deal with the election of Directors under the requirements of the Articles of Association. Details of the Directors are shown on page 19 of the Annual Report

Article 93 of the Company's Articles of Association requires one-third of the Directors to retire by rotation at each Annual General Meeting. The following Directors are retiring by rotation and are proposed by the Board for re-election

Mr M L Sutcliffe  
Mr D R Norwood

Article 88 of the Company's Articles of Association requires any Director appointed by the Board to retire at the next Annual General Meeting. The following Directors are retiring in accordance with Article 88 and are proposed by the Board for election

Mr M L Rosser  
Mr R O Davey

#### Resolution 6

This resolution proposes the re-appointment of PKF (UK) LLP as the auditors of the Company and, in accordance with standard practice, gives authority to the Board to determine their remuneration

## Special Business

### Resolution 7

This Resolution, which gives Directors the authority to allot shares, will be proposed as an Ordinary Resolution

Section 80 of the Companies Act 1985 only permits Directors to allot unissued securities if authorised to do so by the shareholders in general meeting. The Board proposes that the Directors be granted such authority. Passing this resolution will provide the Directors with sufficient flexibility to act in the best interests of shareholders should a beneficial opportunity to issue new shares arise

The authority of the Directors has been limited to the allotment of shares up to an aggregate nominal amount of £6,726,733 which is equal to approximately one half of the issued ordinary share capital of the Company. The Directors' authority will expire at the earlier of the conclusion of the Annual General Meeting in 2008 or 15 months from the date of the passing of this resolution

### Resolution 8

This resolution, which gives directors the power to dis-apply pre-emption rights, will be proposed as a special resolution

The Board seeks to retain the authority, within certain limits and expiring at the earlier of the conclusion of the 2008 Annual General Meeting and 15 months from the date of this resolution to allot unissued securities for cash without first offering them to existing shareholders in proportion to their existing holdings

First, if the Board considers it to be in the interests of the Company to make a rights issue, there could still be legal, regulatory or practical reasons why it might not always be possible to issue new shares to some shareholders, particularly those resident overseas. Fractional entitlements may also make a strictly pro rata issue impractical. Paragraph (a) of Resolution 8 permits the Board to make appropriate arrangements to deal with such difficulties

Secondly, there could also be circumstances where the Board considers it in the best interests of the Company to issue shares to persons other than shareholders for cash, without first offering them to existing shareholders. Resolution 8 gives the Board that authority but limits the authority to the allotment of shares up to an aggregate nominal amount of £6,726,733



Alexander Mining plc

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