

Company no. 5357433
(England and Wales).

Alexander Mining plc.
Annual Report and Accounts 2011

Commercialising breakthrough mineral processing technology



About Us

Alexander Mining plc is a mining and mineral processing technology company with a reputation for strong technical management, allied with financial markets expertise and experience.

It is quoted on AIM and the TSX Venture Exchange.

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Highlights

- In South Africa - AmmLeach® copper/cobalt demonstration pilot plant established in collaboration with MC Process (Pty) Ltd in Johannesburg
- Pilot plant to be used for testing bulk representative samples from the Democratic Republic of Congo ('DRC') and elsewhere.
- First AmmLeach® plant in the world to showcase process in two circuits through to copper and cobalt cathode metal, compared with majority of DRC cobalt currently produced as an intermediate product
- In the DRC - Patent for a *Method of Ammoniacal Leaching* granted and important progress with copper/cobalt opportunities
- In Australia - *Method for Leaching of a Copper-containing Ore* patent granted plus favourable testwork for Altona Mining on samples from its Roseby copper project
- In Turkey - Red Crescent Resources to investigate AmmLeach® technology for copper and zinc projects
- In Guatemala - AmmLeach® second stage testwork discussions with Firestone Ventures

Our Focus

The Company's activities are directed towards the objective of becoming a highly profitable and diversified mining technology company - worldwide. This will be achieved from the commercialisation of its proprietary MetaLeach® mineral processing technologies.

Copper

Zinc

Copper & Copper-Cobalt

USA

Positive zinc oxide AmmLeach®
testwork for Firestone Ventures
in Nevada

Guatemala

Positive zinc oxide AmmLeach®
testwork for Firestone Ventures.

Mexico

Attractive zinc and copper
opportunities identified and
investigated

Peru

Positive zinc oxide AmmLeach®
testwork for Rio Cristal.

Chile

Copper opportunities.

Our Focus continued

Key base metals regions
for volume and growth

- DRC *Copperbelt*
- Central and South America
copper and zinc provinces
- Mining companies with high-acid-
consuming copper, copper-cobalt and
zinc carbonate/oxide operations
- Companies with undeveloped deposits

Turkey

Red Crescent Resources to
investigate AmmLeach® for zinc
and copper projects.

Democratic Republic of Congo

Important AmmLeach®
copper/cobalt opportunities.

Patent granted

Australia

AmmLeach® copper
patent granted

Favourable testwork for
Altona Mining

South Africa

Patent granted

Demonstration pilot plant.

Chairman's Statement

"Our business objective is clear - to capitalise on our breakthrough AmmLeach® mineral processing technology."

Matt Sutcliffe
Executive Chairman

I am pleased to report that since my statement in last year's annual report, Alexander has made steady progress in advancing its plan to commercialise its proprietary breakthrough AmmLeach® mineral processing technology

Alexander's technology is applicable to the extraction of several important base metals from high-acid-consuming ores in many parts of the world. During the year, we have continued to test samples from a growing number of projects and engage in discussions with various companies and groups about commercial adoption of the technology. Because of confidentiality agreements, disclosure has been restricted to those opportunities where we are able to put the news into the public domain. However, we can say that based on this work and coupled with what has been announced, the geographic spread has expanded further to potentially significant countries and regions of the world.

Importantly, the diversification is not just geographic but also by metal, covering a range of mineral types. To date, we have tested dozens of different samples, which has enabled us to create an invaluable database of know-how and intellectual property. Although some initiatives have advanced less rapidly than we would have liked, due to factors beyond our control, our belief in the fundamental ability of AmmLeach® to transform the extraction process efficiencies and economics for many base metals is unshakeable.

Two countries with major potential and where we have announced significant initiatives are Australia and Turkey, the former mainly for copper and the latter for copper and zinc. In Turkey, we announced Red Crescent Resources Limited's ('RCR') intention to investigate the use of AmmLeach® technology for the primary recovery of copper and zinc from the oxide mineralisation at several of its base metals projects in Turkey.

At RCR's Hakkari Zinc flagship project in far south-east Turkey, the use of AmmLeach® as part of a full feasibility study on an optimised process engineering solution for primary zinc metal production is planned. Also, at RCR's Sivas copper project in north-east central Turkey, RCR hopes to deliver early production through the potential application of Alexander's proprietary oxide (AmmLeach®) and sulphide (HyperLeach®) technologies via technical collaboration.

In Queensland, Australia, we have carried out preliminary amenability testwork for Altona Mining Limited ('Altona') to investigate the use of AmmLeach® technology for copper recovery at its Roseby Project. Encouraging results have been obtained and reported to Altona, with the next stage pending discussions with Altona. We believe that Queensland holds considerable potential for the application of AmmLeach® technology for copper and other base metals.

Moving to Latin America, we have investigated the application of AmmLeach® technology for the owners of several copper and/or zinc oxide deposits. An ongoing relationship with Firestone Ventures Inc ('Firestone'), after favourable initial testwork and scoping studies, has led Firestone to select the AmmLeach® process for its Torlon Hill Zinc-Lead-Silver Oxide Project in Guatemala. Firestone is in discussions with Alexander on proposals, dependent upon Firestone funding, for further bench-scale work, column testing and a demonstration test plant designed to test further the application of the AmmLeach® process to feasibility study standard. This follows on from Firestone's extensive preliminary metallurgical testwork on the Torlon Hill deposit using a variety of alternative processing methods. We are delighted that Firestone has selected AmmLeach® as its preferred processing method at Torlon Hill, as well as for other potential Guatemala sources of feedstock. We greatly look forward to working with Firestone to advance its projects.

In the *Copperbelt* of the Democratic Republic of the Congo ('DRC'), one of the most important copper/cobalt AmmLeach® target regions, we have made a concerted effort to advance the adoption of our technology. In particular, this included the joint venture partnership agreement announced with Anvil Mining Limited ('Anvil') on its Mutoshi copper and cobalt project ('Mutoshi') in the Kolwezi region, DRC. Progress with this opportunity stalled in late 2011 as Anvil became subject to a takeover bid, now completed successfully, by Minmetals Resources Limited. We look forward to discussing the Mutoshi project with the new owners to ascertain their intentions.

We also undertook AmmLeach® testwork for Tiger Resources Limited ('Tiger') on ore from its Kipoi copper/cobalt project in the DRC. This was to investigate the use of AmmLeach® for processing material from the Kipoi Central Stage 1 Pit, which contains approximately 4,500t of cobalt. In addition, Alexander completed detailed pilot plant design engineering for the project and submitted this work to Tiger. We await news of Tiger's intentions for the project.

Chairman's Statement continued

Separately in the *Copperbelt*, Alexander has carried out detailed investigations of other opportunities. This has included collecting samples for testing, under our supervision, at the premises of MC Process (Pty) Ltd ('MC Process') in Johannesburg. MC Process is our partner of choice for Africa and a specialist in the design and manufacture of minerals processing equipment, especially solvent extraction plants. MC Process has considerable experience in the *Copperbelt* and other countries in Africa and has been working closely with us to investigate attractive opportunities. The testwork results have been excellent and, as part of our collaboration with MC Process, we have jointly moved to establish a demonstration pilot plant at MC Process's premises for bigger representative samples which have been delivered from the DRC. The results from the plant will be invaluable for design and scale up to a full size commercial plant. In addition, the plant will be an excellent showcase for our commercialisation activities.

We have continued to protect rigorously our intellectual property ('IP'). A major milestone in the protection of the Company's AmmLeach® IP was reached when Alexander's MetaLeach Limited ('MetaLeach') subsidiary was granted a Standard Patent in Australia for a *Method for Leaching of a Copper-containing Ore*. This was particularly noteworthy given Australia's robust patenting regime and status as having one of the world's biggest mining industries, with significant potential for our AmmLeach® technology. Our first patent for a *Method for Ammoniacal Leaching* was granted in the Republic of South Africa in 2010 and Alexander recently announced that it had received notification from the Ministry of Industry of the DRC that MetaLeach had been granted the same patent in the DRC. We expect regular news flow about our suite of patents as our other specific applications progress through the various stages of the patenting process.

We announced early last year the sale of our wholly owned subsidiary Alexander Gold Group Limited, including the former Leon copper project. The terms of the sale were for a down payment of US\$400,000 plus 18 monthly payments of US\$100,000, commencing March 2011. According to the schedule, the last payment due will be in August 2012. As well as making an important contribution to our overheads, a recent meeting with the Argentinean purchasers confirmed their intention to bring the project into production using our AmmLeach® technology under licence. This would be particularly gratifying as this is where AmmLeach® was pioneered. Although the terms of using AmmLeach® are subject to discussion and finalisation, we have already agreed the principle of granting a licence in exchange for a gross sales royalty and to provide any necessary technical assistance with the project development.

Outlook

The world economy and financial markets have been highly volatile. Market turmoil in the second half of 2011, due to the, as yet, unresolved European sovereign debt crisis, impacted negatively upon base metals prices. However, the fallout was not as bad as many had feared and the better start to global stock markets in 2012 has seen base metals prices in general recover notably from the August 2011 lows. The reality is that, outside of the troubled Euro Zone, global growth has held up well, as usual fuelled by China, India and Brazil which are the key regions for growth in base metals demand.

We look forward to healthy base metals prices in the foreseeable future. Moreover, given general industry expectations that the demand for the main base metals, including copper and zinc, will grow significantly in the next few decades, we believe that the environment in the global mining industry for the commercial adoption of our technology will be excellent and ultimately provide significant returns to shareholders.

As always, I would like to mark my grateful appreciation for the continued hard work and dedication of Alexander's employees, consultants and directors.

Matt Sutcliffe
Executive Chairman
8 May 2012

CEO's Business Review

"The outstanding prospects for the Company's proprietary leaching technologies are supported by the mining industry's inexorable pressure to replenish its ore reserves."

Martin Rosser
Chief Executive Officer

Introduction

We have spent the last year diligently working towards the objective of securing commercial adoption of our AmmLeach® technology. Good progress has been made. Although we have yet to announce our first specific agreement detailing commercial adoption terms, we remain confident about securing such an outcome. We have continued doing a variety of amenability testwork programmes on third party samples from a growing number of deposits in many mining countries of the world. Some of these have been announced but due to confidentiality agreements, many have not. Newly announced countries hosting potentially amenable deposits are Turkey and Australia. The majority of deposits tested are for copper, copper-cobalt and zinc recovery.

It remains the case that the excellent prospects for the Company's proprietary leaching technologies are supported by the favourable fundamentals of the global mining industry. The commodity super cycle, which started in the early part of the last decade, may have matured but base metals prices are still at attractive real levels. The outlook remains positive, with the global mining industry under enormous pressure to replace its ore reserves just to maintain the status quo, let alone satisfy increased base metals demand. This demand is based on growing per capita consumption in the world's developing countries. Accordingly, the role of technology in improving exploitation options and economics, and in particular in the field of mineral processing, is what we believe one of growing importance to the industry.

Our focus has been on securing agreements with third parties that will eventually lead to the establishment of pilot plants to demonstrate AmmLeach® recovering the three most prospective metals of copper, cobalt and zinc. This would be the pre-cursor to a decision to commit to using the AmmLeach® process in new mines on commercial terms to be agreed.

Alexander has adopted a flexible dual approach to the commercialisation of its technology. We will consider either issuing a licence in exchange for royalties/and or fees and/or minority equity interests in projects. As a result, we have had, and continue to have, discussions with multinational, major, intermediate and junior companies about using the Company's leaching technology, principally for copper, copper/cobalt and zinc.

Progress announced in the last year is described below.

Red Crescent Resources - Turkey

Alexander will collaborate with Red Crescent Resources Limited ("RCR") to investigate the use of AmmLeach® technology for the primary recovery of copper and zinc from the oxide mineralisation at several of RCR's base metals projects in Turkey. In Turkey, RCR is targeting historically inaccessible areas for application of modern mining and exploration techniques and technology to develop the full potential of known metal and mineral assets that exhibit strong scalability and high grade.

At RCR's Hakkan Zinc flagship project in far south-east Turkey, a full feasibility study on an optimised process engineering solution utilising AmmLeach® for primary zinc metal production is planned. Furthermore, RCR has identified secondary potential which it believes to be in excess of 1.5 million tonnes of lower grade non-Direct Shippable Ore ("DSO") reject zinc material dumped regionally in Hakkan over the past 10 years by small scale miners. RCR believes this may be a major potential opportunity for low cost processing using AmmLeach®. An early concept engineering study for the gathering and processing of this mineralised material is planned.

RCR's other flagship project is the SIVAS Copper project in north-east central Turkey. Sivas has promising potential for the development of a resource base in excess of 150M tonnes grading +1% copper equivalent (with possible nickel and gold credits). The plan is to deliver early production through investigating the potential application of Alexander's proprietary oxide (AmmLeach®) and sulphide (HyperLeach®) technologies via a technical cooperation.

CEO's Business Review

continued

MetaLeach® will revolutionise the extraction processes for many base metals deposits by reducing costs, enhancing operating margins and increasing production.

CEO's Business Review

continued

One of the key benefits of the AmmLeach® process is that, unlike some new technologies, it requires no special purpose built equipment.

The process utilises ammonia based chemistry to selectively extract metals from ores under ambient temperature and pressure conditions.

CEO's Business Review

continued

DRC - toll treating plant

Along with announced opportunities in the DRC, other parties have been in discussions about using AmmLeach® in the *Copperbelt* due to the potentially large capital and operating cost savings. Accordingly, an AmmLeach® plant operating in the region would be ideally placed for capitalising on the huge strategic opportunity due to the superabundance of high-acid-consuming carbonate copper-cobalt deposits.

Alexander has been investigating the feasibility of establishing an AmmLeach® toll treatment plant in a favourable *Copperbelt* location.

MC Process Collaboration

Alexander has, in partnership with MC Process of South Africa, completed construction of an AmmLeach® copper/cobalt demonstration pilot plant in Johannesburg, and has commenced commissioning the plant using bulk ore samples from the DRC.

MC Process is Alexander's partner of choice for AmmLeach® plant design and engineering in Africa and it is dedicated to the design and manufacture of minerals processing equipment, especially solvent extraction electro-winning ('SX-EW') plants. Moreover, it has considerable experience with designing and establishing SX-EW plants in the DRC and other countries in Africa.

As part of Alexander's initiatives in the DRC, we have collected a significant range of copper and cobalt mineralisation samples from the DRC for initial laboratory amenability testing. The testwork results have been highly encouraging and jointly we have now established a pilot plant at MC Process's premises. Initially, the plant will be used for testing larger bulk representative samples which have been delivered from the DRC, but will be capable of treating other base metal deposit types.

The AmmLeach® copper/cobalt process has particular relevance to the DRC which accounts for around 53% of world mine production in 2011 and 45% of world reserves (source: U.S. Geological Survey January 2012). Moreover, the majority of cobalt currently produced in the DRC is as an intermediate product. The AmmLeach® copper/cobalt process is simpler and requires fewer unit processes to produce copper and cobalt metal cathode, resulting in significantly reduced capital and operating costs compared to the conventional acid/SO₂ process. Given the inherent high costs associated with operating within the DRC using conventional technology, AmmLeach® has the potential to enable the processing of a significantly greater number of deposits that have to date been considered marginal or uneconomic to develop.

Furthermore, the AmmLeach® process may economically treat high carbonate and acid consuming ore bodies that are prevalent in the DRC and which may not be economically treated using acid leaching, and is also ideally suited to heap leaching 'lower' grade ore bodies. The results from the pilot plant will be invaluable for design and scale up to a full size commercial plant.

The pilot plant will be the first in Africa to showcase Alexander's innovative AmmLeach® technology producing both copper and cobalt metal from two circuits in the one plant. It will be integral to Alexander's business development plans for the DRC *Copperbelt* and also for testing material from copper and cobalt projects in other parts of Africa and the world. The ability for third parties to see the AmmLeach® process working will be invaluable for its commercialisation.

Altona Mining - Australia

Late last year, Altona Mining Limited ('Altona') engaged Alexander to investigate the use of AmmLeach® technology for the recovery of copper from the oxide ore zone at its Little Eva deposit, part of its major Roseby Project, in northwest Queensland, Australia. Roseby is one of the largest copper resources in Australia and a Definitive Feasibility Study was completed in 2009. Permitting is nearing completion and Altona is optimising the study to target copper production up to 40,000 tonnes per annum.

Subsequently, the scope of the AmmLeach® testwork was expanded to include representative samples from the nearby Blackard deposit, also part of the Roseby Project. Four samples were selected by Altona to be tested from different mineralisation zones at Blackard (3) and Little Eva (1).

The Blackard deposit currently has a resource of 46.3Mt at 0.63% copper (291,000t contained copper), of which a significant portion (~60%) is in what is called the *Native Copper* zone. AmmLeach® results for the various mineralisation zones showed that this material was the most amenable, with highly encouraging copper recoveries into solution of >80%. Alexander and Altona are now discussing the recommended next stage of testwork for this zone.

Firestone Ventures - Guatemala

Firestone Ventures Inc. ('Firestone') has decided to advance investigating the use of AmmLeach® at its Torlon Hill zinc project in Guatemala. Firestone is in discussions with Alexander on proposals for further bench-scale work, column testing and a demonstration test plant designed to test further the application of the AmmLeach® process.

This follows on from Firestone's extensive preliminary metallurgical testwork on the Torlon Hill deposit using a variety of methods. In June 2011, the summary findings of a study ('Study') by consultant David Lunt of Stirling Process Engineering ('Stirling') investigating the use of AmmLeach® for processing material from Firestone's Torlon Hill property were announced.

The Study supported a conceptual flow sheet using the AmmLeach® process in a heap leaching, solvent extraction and steam stripping process to produce a zinc oxide product. In addition, the adoption of heap leaching would eliminate the need for milling, agitation leaching equipment and solid-liquid separation. As a result, significant cost savings should be possible using AmmLeach®, especially since no on-site acid plant is required.

CEO's Business Review continued

Tiger Resources - DRC

Alexander has undertaken AmmLeach® testwork for Tiger Resources Limited ('Tiger') on ore from Tiger's Kipoi copper/cobalt project in the Copperbelt of the DRC. In addition, Alexander has completed detailed pilot plant design engineering for the project which it has presented to Tiger.

Tiger began producing copper at its Kipoi mine in April 2011. The Kipoi Central high grade zone also includes a significant cobalt mineral resource and the focus of the testwork was to investigate using AmmLeach® to recover cobalt from this material. Currently, Tiger has not yet informed Alexander on whether it wants to pursue the use of AmmLeach® at Kipoi.

Anvil Mining - DRC

Early last year, Alexander signed a joint venture agreement ('JV') with Anvil to build and operate a pilot plant using AmmLeach® to treat 150,000 tonnes of cobalt ore at Anvil's Mutoshi deposit in the Kolwezi region of the Katanga province in the DRC. The Mutoshi Project lies 10km east of Kolwezi in the Katanga Province and is owned by Société Minière de Kolwezi sprl ('SMK'), an exploration and mining joint venture between Anvil (70%), and La Générale Des Carrières et des Mines ('Gecamines'), the DRC state-owned mining company (30%). Laboratory amenability testwork using AmmLeach® showed that high recoveries should be achievable.

Because Anvil became subject to a takeover bid from Minmetals Resources Limited late last year, now completed successfully, progress with this opportunity stalled pending clarity of the outcome. We look forward to discussing the Mutoshi project with the new owners and establishing their intentions.

Argentina

The likelihood of seeing the AmmLeach® process being used at Alexander's former Leon copper project in northern Argentina has strengthened. In recent discussions with the Argentinean purchasers of the project, they confirmed their intention to bring the mine into production using AmmLeach® under licence. This would be highly attractive for both parties as this is the ore body on which AmmLeach® was developed. Whilst the terms for using AmmLeach® have yet to be finalised, the principle of granting a licence in exchange for a gross sales royalty was part of the original sales agreement. Alexander looks forward to providing any necessary technical assistance with the project development.

Intellectual Property

MetaLeach® has a portfolio of Australian and international patents and patent applications to protect its technologies and data. The strategy for protection is the development of unique intellectual property and patenting key aspects of its AmmLeach® and HyperLeach® inventions in a number of countries. This strategy has been implemented through our patent attorneys Wrays in Australia, and is designed to allow the Company to protect the commercialisation of its technologies in key countries of interest.

Importantly and recently, we have been granted a Standard Patent in Australia for a *Method for Leaching of a Copper-containing Ore*. As mentioned in the Chairman's Statement, this is especially significant because of Australia's robust patenting regime. In addition, we recently announced we had been granted a patent for *Method for Ammoniacal Leaching* in the DRC, which follows on from its granting in the Republic of South Africa in 2010. Now that our patenting process has been in place for several years, we are optimistic about a successful outcome for many of our other patents pending.

HyperLeach® process

Notwithstanding that we have focussed all our commercialisation efforts on the AmmLeach® process, the HyperLeach® process (patents pending), although less advanced, has significant potential. HyperLeach® is a proprietary process developed by MetaLeach for the extraction of metals, especially copper, zinc, nickel, cobalt, molybdenum and rhenium from sulphide ore deposits and concentrates. The process utilises chlorine based chemistry to solubilise metals from ores under ambient temperature and pressure conditions. The HyperLeach® process can be operated as either heap leach or tank leach.

Great promise has been shown on molybdenum-rhenium sulphide ores with low reagent consumption making heap leaching of such ores economically feasible for the first time. Preliminary tank leaching of flotation tailings has also been conducted with considerable success. HyperLeach® can be used as a pre-treatment for AmmLeach® to provide the best of both processes. HyperLeach® solubilises and mobilises target metals from sulphides with AmmLeach® leaching the target metals selectively. This combination allows processing of a whole ore body from the oxide cap through the transition zone to the sulphide basement.

Business Risks

Inherent risk diversification is offered both geographically and by metal. When compared with conventional exploration-driven mining companies, the business risks differ markedly. The stages at which MetaLeach technology is of interest to a potential user is from the project feasibility study stage, through to existing mining operations. As such, the inherent technical risks of the mining industry in discovering a potential new mine do not apply as a deposit has already been found. Further business risks are referred to in the Directors' Report under Risk Management on page 20.

Martin Rosser
Chief Executive Officer

Our Processing Technology MetaLeach®

**Commercialisation will be achieved
by licensing our IP, partnerships in
producing mines and equity interests
in advanced projects.**

Our Processing Technology

MetaLeach®

MetaLeach® owns the intellectual property to two ambient temperature and pressure hydrometallurgical technologies, namely AmmLeach® and HyperLeach®.

Our Processing Technology

MetaLeach®

MetaLeach®

MetaLeach Limited is Alexander's subsidiary for the commercialisation of its proprietary hydrometallurgical mineral processing technologies. These technologies have the potential to revolutionise the extraction processes for many base metals deposits, reducing costs, and/or improving recoveries, and hence enhancing operating margins at the mine site. In addition, in many cases the technologies will enable the treatment of base metals deposits which hitherto have not been possible to treat. The technologies are especially suitable for high-acid-consuming carbonate hosted ores.

MetaLeach® owns the intellectual property to two ambient temperature, ambient pressure hydrometallurgical technologies, namely AmmLeach® (patents granted and pending) and HyperLeach® (patents pending). These technologies are environmentally friendly, cost effective processes for the extraction of base metals from amenable ore deposits and concentrates allowing the production of high value products at the mine site (i.e. metal powder or sheets). These technologies were developed as a result of the Company's work at its Leon copper project in Argentina and subsequent research and development undertaken by MetaLeach's consultant Dr Nicholas Welham.

Commercialisation of AmmLeach®

The following metal ores are particular targets for the commercialisation of the AmmLeach® process:

- Copper and Copper/Cobalt oxide deposits
- Zinc oxide deposits
- Gold/Copper oxide and Silver/Zinc oxide (alkali leaching)
- Molybdenum oxide

Geographic diversification is offered as the countries with the most prospective geology for hosting high-acid-consuming copper (Cu) and zinc (Zn) oxides are Chile (Cu), Peru (Cu, Zn), Mexico (Cu, Zn), Central America (Zn), USA (Cu, Zn), Democratic Republic of the Congo (Cu, Cu/Co), Zambia (Cu, Zn), Turkey (Zn, Cu) and Australia (Cu).

Of these, the copper process has already been demonstrated at pilot plant scale for heap leaching and at bench scale for agitated leaching. The cobalt (or copper and cobalt oxide ore) process has been bench scale tested successfully for both heap and agitated leaching. Further development of the zinc process has led to a new solvent extraction process for zinc from ammoniacal solutions, for which patents are pending. This patent application is for the recovery of zinc from ores which do not require pre-treatment before ammoniacal leaching. A patent covering a process allowing selective leaching of zinc from sideritic zinc ores has also been applied for.

Because of the tailored pre-treatment step, almost any ore type is amenable to the AmmLeach® process. Thus far, it has been demonstrated on predominantly oxide ores but some sulphides have also been shown to leach after appropriate pre-treatment. This advance allows the treatment of mixed oxide-sulphide ores which are often present in the transition from weathered to un-weathered ore. As a project proceeds, the AmmLeach® process can be modified to cope with the changing mineralogy from oxide to sulphide without substantial capital expenditure.

Polymetallic ores can also be processed by AmmLeach® with separation achieved using solvent extraction to separate metals and produce multiple revenue streams. The minimisation of ammonia transfer allows these metals to be recovered directly from their strip solution by precipitation, crystallisation or electrowinning.

The alkaline conditions used in the AmmLeach® process allow precious metals to be recovered from the base metal depleted heap using a secondary leach step. The heap can simply be washed to recover ammonia and subjected to standard alkaline cyanidation to recover gold and silver. The incorporation of precious metals recovery within the AmmLeach® process is being investigated and preliminary work on the leaching of cyanide consuming metals prior to precious metal leaching with cyanide looks highly promising.

Our Processing Technology

AmmLeach®

Hydrometallurgically recovered metals are much more attractive to mine owners than the production of concentrates from sulphide ores as it results in the production of high value metals at the mine site

One of the key benefits of the AmmLeach® process is that, unlike some new technologies, it requires no special purpose built equipment.

The process utilises ammonia based chemistry to selectively extract metals from ores under ambient temperature and pressure conditions

AmmLeach® has the potential to transform the extraction process efficiencies and economics for many base metals but especially copper, cobalt and zinc

The AmmLeach® Process

The AmmLeach® process (patents pending) is a proprietary process developed by MetaLeach Limited for the extraction of base metals, especially copper, zinc, nickel and cobalt from ore deposits and concentrates. The process utilises ammonia based chemistry to selectively extract metals from ores under ambient temperature and pressure conditions. The target ores will typically be high-acid-consuming. AmmLeach® is a viable alternative to acid leach processes as it is far more selective for valuable metals whilst rejecting unwanted metals. This selectivity offers a considerable number of technical and economic benefits through simplification of the flowsheet.

The technology consists of the same three major stages as acid processes i.e. leaching, solvent extraction (SX) and electrowinning (EW). The leaching occurs in two steps, an ore specific pre-treatment which converts the metals into a soluble form and the main leaching step, which uses recycled raffinate from the solvent extraction stage. Solvent extraction is used to separate and concentrate the metals, whilst also changing from ammoniacal media to acid sulphate media from which metals can be directly electrowon using industry standard unit operations. One of the key benefits of the AmmLeach® process is that, unlike some new technologies, it requires no special purpose built equipment. The AmmLeach® process can directly replace acid leaching in an existing operation.

AmmLeach® technology is suitable for both low grade heap leaching and higher grade tank leaching, the choice is dictated by the grade and deposit economics. Polymetallic deposits can be readily handled using standard solvent extraction and solution purification techniques. The difference from acid leaching is that the leaching is conducted in moderately alkaline solution with ammonia present to selectively leach base metals. The use of alkaline conditions allows the use of AmmLeach® on high carbonate ores where acid consumption would be prohibitive.

The AmmLeach® process has an extremely high selectivity for the target metal over iron, aluminium and manganese, which are insoluble under AmmLeach® conditions. Calcium and magnesium solubilities are also significantly suppressed by the presence of carbonate and extremely low sulphate levels in the leaching solutions. These features ensure that there are no potential problems due to jarosite or gypsum precipitation reducing permeability in the heap or scaling problems in the solvent extraction plant. Additionally, silica is also insoluble in the AmmLeach® process, removing problems associated with formation of unfiltrable precipitates within an acid leach plant during pH adjustment and the need to handle high viscosity solutions. Ammonia, unlike acid, doesn't react with aluminosilicates and ferrosilicates, whose products can cause drainage and permeability problems in heaps.

Compared with previous ammoniacal processes, almost any ore mineralogy can be treated as the pre-treatment step is specific to each

Comparison of AmmLeach® with acid leaching of copper

Parameter	Acid	AmmLeach®
Mineralogy	Oxides, carbonates, silicates, some sulphides	Almost any – dependent upon pre-treatment stage
Selectivity	Low: iron, manganese, calcium and silica are likely problems	High: no iron, manganese, calcium or silica dissolution
Rate of extraction	Limited by acid strength and diffusion	Ammonia concentration in leach solution matched to leaching rate
Recovery	80% of leachable metal	>80% in ~130 days
Heap lifetime	55-480 days	~80-130 days
Sulphate precipitation	Reduced permeability in heap, break down of clays and plant scaling due to precipitation of gypsum and jarosite	Calcium and iron solubilities too low for precipitation, also low sulphate levels in leach solution
Leachant consumption	Depends upon carbonate content but 30 to over 100kg/t reported for operating heaps	Depends on concentration used but range of 3-5kg/t measured at Leon
Safety	Large volumes of concentrated acid required	On demand systems using hydrolysis of urea to minimise on-site risks
Precious metals	Heap to be neutralised before cyanidation	Neutralisation not required, potential for simultaneous recovery using thiosulphate or sequential leaching using cyanide
Decommissioning	Heap requires washing, neutralisation and long term monitoring to avoid acid mine drainage (AMD)	Heap can be washed and left, residual ammonia acts as fertiliser for vegetation regrowth, minimal likelihood of AMD

Our Processing Technology AmmLeach®

ore body. The whole AmmLeach® process is tailored to individual ore bodies and consequently has substantially lower ammonia losses than earlier processes. In theory, all the ammonia can be recovered, however in practice small losses do occur.

Decommissioning of the heap is extremely simple as no neutralisation is necessary and the potential for acid mine drainage is virtually eliminated. After final leaching the heap is simply washed to recover ammonia and then left to revegetate, with the residual ammonia acting as a fertiliser.

The alkaline residue allows immediate application of cyanide leaching of gold and silver in ores where there is an economic precious metal content after removal of high cyanide consuming metals such as copper.

Copper

Copper is the world's most important base metal by value and its price is a bellwether of world industrial production. Approximately 20% of global mined copper production is produced from oxide ores using solvent extraction-electrowinning (SX-EW) hydrometallurgy. The Company believes that its leaching technology has the potential to increase significantly the share of global copper produced using hydrometallurgical processes. Hydrometallurgically recovered copper is much more attractive to mine owners than the production of concentrates from sulphide ores as it results in the production of high value cathodes at the mine. When sold these realise almost 100% of the copper content, compared to concentrates where owners may receive as little as 60% of the copper value.

The capability of tailoring the rate of recovery is an important feature of the AmmLeach® process and allows the plant to operate more flexibly with the rate of leaching matched to the operating capacity of the solvent extraction plant.

Zinc

The vast majority (~95%) of world zinc metal production uses smelting to recover and refine zinc metal out of zinc-containing feed material such as zinc concentrates or zinc oxides. Development of a new hydrometallurgical process route for zinc oxides has the potential to simplify zinc refining.

MetalLeach® has developed a novel (patents applied for) process for the solvent extraction of zinc from ammoniacal solutions. Testwork has shown that zinc can be efficiently extracted using commercially available reagents in a single stage and stripped with acid solutions, with better efficiency and greater selectivity than has previously been reported.

The general flow sheet for the zinc process is straightforward and consists of leaching, purification and recovery stages. The nature of the leach stage depends upon a number of factors, notably the grade of ore and leaching kinetics. High grade, fast leaching ore would be readily accommodated by an agitated tank leach, whilst low grade, slow leaching ores would be better suited to heap leaching. Depending upon the product desired, there may be no need for a solution purification stage, further simplifying the overall process flow sheet.

A wide range of different oxide zinc mineralogies can potentially be treated by AmmLeach®, including those with significant hemimorphite content which presently can only be treated using acid. In AmmLeach® solutions, the leaching can be extremely rapid provided the conditions are appropriately matched to the ore. The acid route requires ore containing >10% zinc to be economically viable. The codissolution of silica and iron in the acid results in a very complex flow sheet, as typified by that used at the Skorpion mine in Namibia. The tailings from Skorpion are reportedly >4% Zn showing that acid leaching can be extremely inefficient.

Copper process economics

An analysis of the economics of the AmmLeach® process compared with conventional acid leaching for high-acid-consuming copper ores is dependent upon a multitude of parameters specific to the mineralogy of

the deposit and its location. Suffice it to say that the capital and operating cost savings can be major, particularly for high-acid-consuming ore bodies located in remote locations with long transport distances. This is because the safe supply of sulphuric acid is logistically difficult and expensive as the transport costs of bulk chemicals in-country to site can be as much again as, or more than, the free-on-board cost.

In many instances, economics will dictate that the mine will have to build an expensive sulphur burning sulphuric acid plant for the supply of acid. In addition, to regulate supply variations and for acid plant maintenance, acid storage tanks for around one month's consumption, whether the mine makes its own or buys in acid, will be required, significantly adding to the capital cost. As well as a substantial capital cost saving, this is where AmmLeach® has a major operating cost advantage too, due to the order of magnitude difference in reagent consumption per tonne of ore processed.

For example, for even a moderately high-acid-consuming ore, ten to fifteen times as much acid (50kg/t) as ammonia will be consumed. This is due to the fundamental difference between the two leaching processes in that whereas acid is consumed by gangue minerals during leaching, ammonia is not. The reagent is can be recycled and only relatively small losses of ammonia need to be made up.

Capital costs comparisons for the AmmLeach® technology and conventional acid leaching assume that certain aspects are common to both leach systems i.e. mining, mine infrastructure, mine waste disposal, process plant residue disposal, project buildings (administration, laboratories, workshop, warehouse etc), site access roads, the power transmission line and the water supply line. Hence any comparison is limited to the process plant itself.

Typically for copper only oxide ores, process plant capital costs for AmmLeach® and acid heap leach operations of the same size are similar as, excluding reagent production and storage/handling costs on site, essentially the same equipment is used for both processes. However, importantly, where economics dictate that sulphuric acid is made on site, there can be a major differential associated with reagents and, in particular, the differential costs of ammonia and sulphuric acid. The AmmLeach® process can achieve much higher copper solution concentrations in the pregnant leach solution (PLS) than are typically seen in acid plants. Typical copper concentrations for an acid leaching operation are of the order of 1-2g copper (Cu)/L compared to PLS concentrations for the AmmLeach® process of 6-12g Cu/L. This, coupled to the much greater copper transfer between aqueous and organic, allows the efficient handling of high copper tenors in PLS (in acid plants this would necessitate larger volume mixer-settlers due to the higher volume of PLS and lower transfer between aqueous and organic phases), i.e. more metal produced per unit capacity of plant than in a corresponding acid leach-SX-EW plant.

Moreover, in ores where cobalt is a valuable by-product (e.g. DRC and Zambia), AmmLeach® offers additional significant capital and operating cost savings. This is because in the case of the acid leach circuit the cobalt recovery circuit is complex in that the main leach solubilises a range of metals. The raffinate bleed will therefore contain unextracted copper, iron (both ferrous and ferric), manganese and aluminium. Other species may also be present and these will need to be examined and potentially dealt with as well. Such metals include nickel and cadmium. For the production of metal a multiplicity of unit operations are required ahead of cobalt metal production.

In the case of the alkaline leach circuit, the requirements for purification ahead of final cobalt recovery are much less complex. The leach itself is highly selective for copper and cobalt since not all metals will produce amines. In this respect there is negligible iron and manganese present in the liquor. A number of possibilities exist for recovery of cobalt from the ammoniacal solution.

Directors and Advisors

Matt Sutcliffe
Executive Chairman

Martin Rosser
Chief Executive Officer

James Bunyan
Non-Executive Director

Roger Davey
Non-Executive Director

Emil Morfett
Non-Executive Director

Company Secretary
T A Cross

Directors
M L Sutcliffe
M L Rosser
J S Bunyan
R O Davey
E M Morfett

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

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

Nominated Adviser and Broker
RFC Ambrian Limited
Old Change House
128 Queen Victoria Street
London, EC4V 4BJ

Joint Broker
XCAP Securities plc
24 Cornhill
London, EC3V 3ND

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

Directors and Advisors continued

Matt Sutcliffe Executive Chairman

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 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.

Martin Rosser Chief Executive Officer

Martin Rosser is a chartered mining engineer who has 30 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 at Central Norseman. In 1987, he returned to the UK and worked as a mining analyst with two City stockbrokers.

He then joined the FSA authorised and regulated natural resources industry specialist firm of David Williamson Associates Limited in 1989 as a founder employee, and subsequently Managing Director. During this time, until joining Alexander in June 2005, he provided extensive corporate finance advisory and arranger services to the firm's worldwide natural resources industry clients.

From 2002, until its takeover by Lonmin plc in January 2007, he was a non-executive director of TSX listed AfriOre Limited.

Roger Davey Non-Executive Director

Roger Davey is a chartered mining engineer and a graduate of the Camborne School of Mines, with over 30 years' experience in the mining industry. For 13 years, until the end of 2010, he was an Assistant Director and the Senior Mining Engineer at N M Rothschild (London) in the Mining and Metals project finance team, where he had responsibility for the assessment of the technical risks associated with project loans. Mr Davey was appointed to the board of Alexander in August 2006.

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 Minorco (AngloGold) subsidiaries in Argentina, where he was responsible for the development of the US\$270m Cerro Vanguardia gold-silver mine.

Emil Morfett Non-Executive Director

Emil Morfett, who joined the board in 2007, has over 30 years' of relevant experience, with eight years in the mining industry and twenty years in mining finance. He graduated with a B Sc in geology from the University of London and worked for Rio Tinto in Saudi Arabia. As a mature student, he completed an M Sc in mineral exploration at Queens University, Ontario, Canada.

He then worked in Johannesburg for Goldfields of South Africa. In 1987, he moved to London to work as a mining analyst. In 1993 he became the Global Head of Mining Research at Bank Paribas and left in 1997 to become Vice President and Head of Mining Research for J P Morgan in London.

In 2001, he founded his own consulting business (Millstone Gnt Limited, of which he is Managing Director), providing both equity and debt focused mining research and strategic advice. He continues to provide independent, bespoke research and financial analysis of mining companies and projects to select hedge funds, merchant banks and mining companies.

James Bunyan Non-Executive Director

James Bunyan, who joined the board in April 2005, holds an MBA from Warwick University and a BSc in Biochemistry from Henot-Watt. He specialises in corporate development with international business development across a broad range of industrial and commercial sectors worldwide.

He has proven business skills in strategic business planning, mergers, acquisitions, disposals, turnarounds and fundraising, with particular experience in mining. He 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 tungsten polymetallic deposits in the world.

Corporate and Social Responsibility

The Group'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 Group 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 Group 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 Group 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 Group and its performance. This will be readily understandable by appropriate regulators, our stakeholders and the public.

The Group complies and will continue to comply to the fullest extent with current and future anti-bribery legislation.

We will endeavour to ensure that no employee acts in a manner that would in any way contravene these principles. The Group will take the appropriate disciplinary action concerning any contravention.

Community Policy

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

Health & Safety Policy

The Group 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 and Social Responsibility continued

Corporate governance

Code of best practice

The listing rules of the Financial Services Authority incorporate the UK Corporate Governance 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 UK Corporate Governance 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 five members, two executive directors and three 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.

Board meetings are held regularly to provide effective leadership and overall management of the Group's affairs through the schedule of matters reserved for Board decisions. 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 E Morfett (Chairman), Mr R Davey and Mr T Cross, 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 R Davey (Chairman) and Mr J Bunyan. 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 Group's systems of internal controls and for reviewing their effectiveness. These internal controls are designed to safeguard the assets of the Group 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 Group.

Relations with Shareholders

The Board attaches great importance to maintaining good relations with its shareholders. Extensive information about the Group'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 Group 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 Market of the London Stock Exchange and TSX Venture Exchange (TSXV) 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 2011

Principal activities

The principal activities of the Group are the commercialisation of the Group's proprietary mineral processing technologies, either through licensing to third parties and/or the acquisition of equity stakes in amenable deposits

Business Review

A review of the business and the future developments of the Group is set out on pages 6 to 15

Results

The Group made a consolidated net loss for the year of £193,000 (2010 £210,000). The directors do not recommend the payment of a dividend (2010 nil)

Research and development

The Group, through its wholly owned subsidiary MetaLeach Limited, is involved in the ongoing research and development of its proprietary mineral processing technologies, AmmLeach® and HyperLeach®. Further details thereof are set out in the Business Review on pages 6 to 15

Risk Management

The successful commercialisation of the Group's proprietary mineral processing technologies is subject to a number of risks, both in relation to third party licensing opportunities and the acquisition of equity interests in amenable deposits for the Group. In addition, like all businesses, the Group is exposed to financial risks. The Board adopts a prudent approach to minimise these risks as far as practicable, consistent with the corporate objectives of the Group. These risks are summarised below, together with the disclosures set out in note 19 to the Financial Statements

Development risks

The Group's strategy to commercialise its proprietary leaching technologies, either through third party licensing agreements or direct equity interests in amenable deposits, is subject to specific technical risks relating to the technologies and wider technical risks relevant to the mining industry as a whole

There is a risk that the Group will be unable to negotiate suitable licensing arrangements with third parties for the use of the leaching technologies. The Group may also be unable to negotiate the acquisition of equity interests in amenable deposits at commercially attractive prices, or finance the acquisition thereof

The Group's proprietary leaching technologies have not yet been applied on an industrial scale. The results of testwork performed to date, both in the laboratory and at pilot plant scale, may not be reproducible at an industrial scale in an economically efficient manner

The Group mitigates the developmental risk for the commercialisation of the technologies by holding discussions with a wide range of companies representing a number of target projects and mines with a diversification of both metals and countries

Loss of key personnel from the Group

The commercialisation of the Group's leaching technologies is dependent upon the continuing application of skills provided by highly qualified and experienced employees and consultants. There is a risk that the Group's management, employees and consultants will be targeted by competitors. The loss of key employees and consultants may adversely affect the ability of the Group to achieve its objectives. The Group mitigates this risk by ensuring that all key employees and consultants are rewarded appropriately and participate in the Group's share option scheme, further details of which are set out in note 21 to the Financial Statements

Intellectual property risk

The Group's success depends in part on its ability to obtain and maintain protection for its intellectual property, so that it can ensure that royalties or licence fees are payable for the use of its proprietary leaching technologies. The Group has applied for patents covering its leaching technologies. Although some have been granted, there is a risk that other patents may not be granted and the Group may not be able to exclude competitors from developing similar technologies

However, the Group actively manages its intellectual property rights portfolio, which includes significant proprietary know how in addition to the patent pending innovations. When dealing with potential clients, the Group ensures that confidentiality agreements are signed acknowledging the full range of the Group's intellectual property. In addition, contracts are in place with all relevant employees, consultants, contractors and advisers to ensure that all intellectual property rights arising in the course of their work on behalf of the Group vest with the Group, and that such intellectual property can only be used for the benefit of the Group

Environmental risk

The Group is subject to environmental regulations at its remaining property in Peru. A breach of such regulations may result in the imposition of fines, penalties and other adverse effects on activities

Currency exchange risk

The Group reports its financial results in Sterling, while a proportion of the Group's costs and revenues are incurred in US Dollars, Australian Dollars, New Zealand Dollars or the Peruvian Nuevo Soles. Accordingly, movements in the Sterling exchange rate with these currencies could have a detrimental effect on the Group's results or financial condition

Liquidity risk

The Group has to date relied upon shareholder funding of its activities. Development of mineral properties, the acquisition of new opportunities, or the recovery of royalty/licencing income from third party assets, may be dependent upon the Group's ability to obtain further 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

Credit risk

The Group's credit risk relates mainly to the remaining instalment payments for the sale of its subsidiary, Alexander Gold Group, finalised on 28 February 2011. This risk has been mitigated as far as possible by the receipt of mortgage security over properties of the buyers

Commodity price risk

The Group's proprietary leaching technologies have the potential to reduce costs and enhance margins at the mine site. The level of interest from mining companies in commercialisation of the Group's proprietary leaching technologies may be affected, for better or worse, by future movements in global metal prices

Directors' report continued

Going concern

Based on a review of the Group's budgets and cash flow forecasts, the directors have identified that if current and near-term corporate development opportunities are unsuccessful in providing adequate funding then the Company will need to raise finance within the next twelve months in order to continue its operations and to meet its commitments

In common with many mining, exploration and intellectual property development companies, the Company needs to raise finance for its activities in discrete tranches to finance its activities for limited periods. The Directors are confident that the Company currently has a range of corporate development opportunities which could include significant funding outcomes and moreover that, if necessary, any further funding can be raised as and when required. On this basis, they have concluded that it is appropriate to draw up the financial statements on the going concern basis. However, there can be no certainty that either development opportunities or alternative funding will be secured in the necessary timescales and this indicates the existence of a material uncertainty that may cast significant doubt on the ability of the company and the group to continue as a going concern. The financial statements do not include any adjustments, particularly in respect of fixed assets, investments, receivables and provisions for winding up which could be necessary if the Company and Group ceased to be a going concern

Directors

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

		Shares held at 31 December 2011 Number	Shares held at 31 December 2010 Number
M L Sutcliffe	Executive Chairman	10,906,000	10,906,000
M L Rosser	Chief Executive Officer	-	-
J S Bunyan	Non-Executive Deputy Chairman	-	-
R O Davey	Non-Executive	-	-
E M Morfett	Non-Executive	-	-
		10,906,000	10,906,000

In accordance with the Company's Articles of Association, Mr M L Rosser will retire by rotation at the Annual General Meeting and, being eligible, offers himself for re-election

Other than their service contracts, no director has a material interest in a contract with the Company. Details of directors' remuneration are set out in note 6 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 2006

The directors' interests in share options are as follows.

	Options held at 31 December 2010	Current exercise price (pence)	Date of grant	First date of exercise	Final date of exercise
M L Sutcliffe	1,000,000	10p	23 Mar 2005	23 Mar 2007	22 Mar 2015
M L Sutcliffe	150,000	10p	15 July 2009	15 July 2010	14 July 2019
M L Rosser	500,000	10p	31 May 2005	31 May 2007	30 May 2015
M L Rosser	250,000	10p	1 Aug 2006	1 Aug 2008	31 Jul 2016
M L Rosser	500,000	10p	20 Dec 2007	20 Dec 2009	19 Dec 2017
M L Rosser	1,000,000	10p	12 Jun 2008	12 Jun 2009	11 Jun 2018
M L Rosser	150,000	10p	15 July 2009	15 July 2010	14 July 2019
J S Bunyan	250,000	10p	23 Mar 2005	23 Mar 2007	22 Mar 2015
J S Bunyan	250,000	10p	12 Jun 2008	12 Jun 2009	11 Jun 2018
J S Bunyan	150,000	10p	15 July 2009	15 July 2010	14 July 2019
R O Davey	250,000	10p	1 Aug 2006	1 Aug 2008	31 Jul 2016
R O Davey	250,000	10p	12 Jun 2008	12 Jun 2009	11 Jun 2018
R O Davey	150,000	10p	15 July 2009	15 July 2010	14 July 2019
E M Morfett	250,000	10p	28 Nov 2007	28 Nov 2009	27 Nov 2017
E M Morfett	250,000	10p	12 Jun 2008	12 Jun 2009	11 Jun 2018
E M Morfett	150,000	10p	15 July 2009	15 July 2010	14 July 2019
Total	5,500,000				

No options held by directors were exercised or lapsed during the period

Directors' report continued

Substantial shareholders

Details of the Company's substantial shareholders are set out on the Company's website at www.alexandermining.com

Payment of 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 20 days' (2010: 32 days) purchases in Group trade payables

Political and charitable contributions

The Group has made no political or charitable donations in the year (2010: nil)

Share capital and share options

Details of the share capital of the Company at 31 December 2011 are set out in note 15 to the financial statements. Details of the share options outstanding at 31 December 2011 are set out in note 21 to the financial statements

Stock Exchanges

The Company's shares are quoted on the AIM market of the London Stock Exchange (symbol AXM) and on the TSX Venture Exchange (symbol AXD)

In respect of the TSX Venture Exchange, the Company is a designated foreign issuer as defined in National Instrument 71-102 of the Canadian Securities Regulators and therefore remains subject to the regulatory requirements of the AIM market and UK Listing Authorities.

Annual General Meeting

The Notice convening the Company's Annual General Meeting, to be held on 14 June 2012, is set out in pages 45 to 46 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 UK Corporate Governance Code is set out on page 19

Provision of information to auditor

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 auditor is 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 auditor is aware of the information

Auditor

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

Statement of directors' responsibilities

The directors are responsible for preparing the directors' 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, as required by the AIM Rules of the London Stock Exchange, elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have also elected to prepare the parent company financial statements in accordance with those standards. Under company law the directors must not approve the financial statements unless they are satisfied that they 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 accounting estimates that are reasonable and prudent,
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions, to disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions

By Order of the Board,



Terence Cross
Company Secretary
8 May 2012

Independent auditor's report to the members of Alexander Mining plc

We have audited the financial statements of Alexander Mining plc for the year ended 31 December 2011 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company statements of cash flows, the consolidated and company statements of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2011 and of the group's loss for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 2(a) to the group financial statements the group, in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements comply with IFRSs as issued by the IASB.

Emphasis of matter - going concern

In forming our opinion, which is not modified, we have considered the adequacy of the disclosures made in note 2(a) to the financial statements concerning the requirement of the company to raise further finance within the next twelve months in order to continue its operations and to meet its commitments. If the company is unable to secure such additional funding, this may have a consequential impact on the company's and the group's ability to continue as a going concern. The outcome of any corporate developments or fundraising cannot presently be determined, and no adjustments to asset carrying values that may be necessary should the company be unsuccessful have been recognised in the financial statements. These conditions, along with the other matters explained in note 2(a) to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

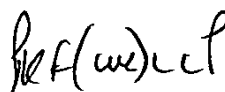
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Jason Homewood (Senior statutory auditor)
for and on behalf of PKF (UK) LLP, Statutory auditor
London, UK
8 May 2012

Consolidated income statement

For the year ended 31 December 2011

	notes	2011 £'000	2010 £'000
Continuing operations			
Revenue		20	220
Cost of sales		-	(4)
Gross profit		20	216
Administrative expenses		(1,386)	(1,361)
Research and development expenses		(464)	(369)
Operating loss	4	(1,830)	(1,514)
Profit on sale of investment	11b	-	370
Finance income	7	150	50
Loss before taxation		(1,680)	(1,094)
Income tax expense	8	-	-
Loss for the year from continuing operations		(1,680)	(1,094)
Profit for the year from discontinued operations	12	1,487	884
Loss for the year		(193)	(210)
Basic and diluted profit/(loss) per share (pence)			
from continuing operations	9	(1 24)p	(0 81)p
from continuing and discontinued operations	9	(0 14)p	(0 16)p
from discontinued operations	9	1 10p	0 65p

All components of profit or loss for the year are attributable to equity holders of the parent

Consolidated statement of comprehensive income

For the year ended 31 December 2011

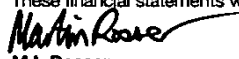
	2011 £'000	2010 £'000
Loss for the year	(193)	(210)
Other comprehensive income		
Exchange differences realised on disposal of subsidiary	(1,403)	-
Exchange differences on translating foreign operations	-	(5)
Previously recognised gain on investment transferred to the income statement	-	(102)
Total comprehensive loss for the year attributable to equity holders of the parent	(1,596)	(317)

Consolidated balance sheet

As at 31 December 2011

	notes	2011 £'000	2010 £'000
Assets			
Property, plant & equipment	10	29	-
Total non-current assets		29	-
Trade and other receivables	13	661	115
Cash and cash equivalents	14	1,257	2,357
		1,918	2,472
Assets classified as held for sale	12	-	1,213
Total current assets		1,918	3,685
Total assets		1,947	3,685
Equity attributable to owners of the parent			
Issued share capital	15	13,599	13,549
Share premium	15	11,850	11,850
Merger reserve	16	-	(2,487)
Share option reserve	16	535	563
Translation reserve	16	(60)	1,343
Accumulated losses		(24,100)	(21,485)
Total equity		1,824	3,333
Liabilities			
Current liabilities			
Trade and other payables	17	123	279
Liabilities classified as held for sale	12	-	73
Total current liabilities		123	352
Total liabilities		123	352
Total equity and liabilities		1,947	3,685

These financial statements were approved by the Board of Directors and authorised for issue on 8 May 2012 and were signed on their behalf by:


M L Rosser
Director

Company balance sheet

Company number 5357433 in England and Wales
As at 31 December 2011

	notes	2011 £'000	2010 £'000
Assets			
Property, plant and equipment	10	29	-
Total non-current assets		29	-
Trade and other receivables	13	646	68
Cash and cash equivalents	14	1,256	2,356
		1,902	2,424
Non-current assets classified as held for sale	12	-	1,140
Total current assets		1,902	3,564
Total assets		1,931	3,564
Equity attributable to owners of the parent			
Issued share capital	15	13,599	13,549
Share premium	15	11,850	11,850
Share option reserve	16	535	563
Accumulated losses	16	(24,163)	(22,672)
Total equity		1,821	3,290
Liabilities			
Trade and other payables	17	110	274
Total current liabilities		110	274
Total equity and liabilities		1,931	3,564

These financial statements were approved by the Board of Directors and authorised for issue on 8 May 2012 and were signed on their behalf by



M L Rosser
Director

Consolidated statement of cash flows

For the year ended 31 December 2011

	notes	2011 £'000	2010 £'000
Cash flows from operating activities			
Operating loss – continuing operations		(1,830)	(1,514)
Discontinued operations – costs of selling subsidiary		-	(204)
Depreciation and amortisation charge		8	1
Decrease / (increase) in trade and other receivables		60	(5)
(Decrease) / increase in trade and other payables		(229)	78
Expenses settled through issue of equity		50	-
Share option charge		37	52
Net cash outflow from operating activities		(1,904)	(1,592)
Cash flows from investing activities			
Interest received		5	10
Acquisition of property, plant and equipment		(37)	-
Proceeds from sale of investment		-	470
Proceeds from sale of subsidiary		736	-
Net cash inflow from investing activities		704	480
Net decrease in cash and cash equivalents		(1,200)	(1,112)
Cash and cash equivalents at beginning of period		2,454	3,540
Exchange differences		3	26
Cash and cash equivalents at end of period	14	1,257	2,454

Company statement of cash flows

For the year ended 31 December 2011

	notes	2011 £'000	2010 £'000
Cash flows from operating activities			
Operating loss		(1,176)	(1,328)
Depreciation and amortisation charge		8	-
(Increase) / decrease in trade and other receivables		(44)	29
(Decrease) / increase in trade and other payables		(164)	180
Shares issued in payment of expenses		50	-
Share option charge		37	52
Inter-company recharges		(10)	-
Net cash outflow from operating activities		(1,299)	(1,067)
Cash flows from investing activities			
Amounts remitted to subsidiary companies		(607)	(469)
Interest received		5	10
Proceeds from sale of investment		-	470
Proceeds from sale of subsidiary		833	-
Acquisition of property, plant and equipment		(37)	-
Net cash inflow from investing activities		194	11
Net decrease in cash and cash equivalents		(1,105)	(1,056)
Cash and cash equivalents at beginning of period		2,356	3,388
Exchange differences		5	24
Cash and cash equivalents at end of period	14	1,256	2,356

Consolidated statement of changes in equity

For the year ended 31 December 2011

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share option reserve £'000	Translation reserve £'000	Fair value reserve £'000	Accumulated losses £'000	Total equity £'000
At 1 January 2010	13,549	11,850	(2,487)	515	1,348	102	(21,279)	3,598
Accumulated loss for period	-	-	-	-	-	-	(210)	(210)
Exchange difference on translating foreign operations	-	-	-	-	(5)	-	-	(5)
Realisation of investment	-	-	-	-	-	(102)	-	(102)
Total comprehensive income for the period attributable to equity holders of the parent	-	-	-	-	(5)	(102)	(210)	(317)
Share option costs	-	-	-	52	-	-	-	52
Share options cancelled	-	-	-	(4)	-	-	4	-
At 31 December 2010	13,549	11,850	(2,487)	563	1,343	-	(21,485)	3,333
Accumulated loss for period	-	-	-	-	-	-	(193)	(193)
Exchange difference on translating foreign operations	-	-	-	-	-	-	-	-
Realisation of foreign exchange gains upon sale of subsidiary	-	-	-	-	(1,403)	-	-	(1,403)
Total comprehensive income for the period attributable to equity holders of the parent	-	-	-	-	(1,403)	-	(193)	(1,596)
Share option costs	-	-	-	37	-	-	-	37
Share options cancelled	-	-	-	(65)	-	-	65	-
Transfer from merger reserve	-	-	2,487	-	-	-	(2,487)	-
Shares issued	50	-	-	-	-	-	-	50
At 31 December 2011	13,599	11,850	-	535	(60)	-	(24,100)	1,824

Company statement of changes in equity

For the year ended 31 December 2011

	Share capital £'000	Share premium £'000	Share option reserve £'000	Fair value reserve £'000	Accumulated losses £'000	Total equity £'000
At 1 January 2010	13,549	11,850	515	102	(22,423)	3,593
Accumulated loss for period	-	-	-	-	(253)	(253)
Realisation of investment	-	-	-	(102)	-	(102)
Total comprehensive income for the period attributable to equity holders of the parent	-	-	-	(102)	(253)	(355)
Share option costs	-	-	52	-	-	52
Share options cancelled	-	-	(4)	-	4	-
At 31 December 2010	13,549	11,850	563	-	(22,672)	3,290
Accumulated loss for period	-	-	-	-	(1,556)	(1,556)
Total comprehensive income for the period attributable to equity holders of the parent	-	-	-	-	(1,556)	(1,556)
Share option costs	-	-	37	-	-	37
Share options cancelled	-	-	(65)	-	65	-
Shares issued	50	-	-	-	-	50
At 31 December 2011	13,599	11,850	535	-	(24,163)	1,821

Notes to the financial statements

For the year ended 31 December 2011

1 General information

Alexander Mining plc (the 'Company') is a public limited company incorporated and domiciled in England and its shares are traded on the AIM Market of the London Stock Exchange and on the TSX Venture Exchange (TSXV). Alexander Mining plc is a holding company of a group of companies (the 'Group'), the principal activities of which are the commercialisation of the Group's proprietary mineral processing technologies, either through licensing to third parties and/or the acquisition of equity stakes in amenable deposits. These consolidated financial statements were approved for issue by the Board of Directors on 8 May 2012.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') in force at the reporting date and their interpretations issued by the International Accounting Standards Board ('IASB') as adopted for use within the European Union and with IFRS and their interpretations issued by the IASB.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements, are disclosed in note 2 p).

A separate income statement for the parent company has not been presented, as permitted by section 408 of the Companies Act 2006.

The financial statements are prepared in accordance with IFRS and interpretations in force at the reporting date. The Company has not adopted any standards or interpretations in advance of the required implementation dates.

Going Concern

Based on a review of the Group's budgets and cash flow forecasts, the directors have identified that if current and near-term corporate development opportunities are unsuccessful in providing adequate funding then the Company will need to raise finance within the next twelve months in order to continue its operations and to meet its commitments.

In common with many mining, exploration and intellectual property development companies, the Company needs to raise finance for its activities in discrete tranches to finance its activities for limited periods. The Directors are confident that the Company currently has a range of corporate development opportunities which could include significant funding outcomes and moreover that, if necessary, any further funding can be raised as and when required. On this basis, they have concluded that it is appropriate to draw up the financial statements on the going concern basis. However, there can be no certainty that either development opportunities or alternative funding will be secured in the necessary timescales and this indicates the existence of a material uncertainty that may cast significant doubt on the ability of the company and the group to continue as a going concern. The financial statements do not include any adjustments, particularly in respect of fixed assets, investments, receivables and provisions for winding up which could be necessary if the Company and Group ceased to be a going concern.

Standards, Amendments and Interpretations issued but not yet effective

No Standards and Interpretations that have been issued but are not yet effective, and that are available for early application, have been applied by the group in these financial statements. There are no Standards or Interpretations issued, but not yet effective, which are expected to have a material effect on the financial statements in the future.

b) Basis of consolidation

i) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is recognised where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the Group.

ii) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

iii) Business combinations

Business combinations made prior to 1 January 2006 were accounted for in accordance with the relevant UK GAAP at the time. The transitional requirements of IFRS 1 allowed prospective application for all business combinations subsequent to the transition date (1 January 2006). Accordingly such combinations were not re-stated in accordance with that standard. Reserve amounts resulting from such transactions have been released in the year as the related subsidiary companies have been disposed of.

For subsequent business combinations, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition. Any excess of the cost of the acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill, which is subsequently tested for impairment rather than amortised. If the cost of the acquisition is less than the fair value of net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Notes to the financial statements

For the year ended 31 December 2011

c) Foreign currency

The Company's functional and presentational currency is Sterling rounded to the nearest thousand and is the currency of the primary economic environment in which the Company operates

i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

ii) Financial statements of foreign operations

On consolidation, the assets and liabilities of the Group's overseas operations that do not have a Sterling functional currency are translated at exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rate for the period. Exchange differences arising are recognised in other comprehensive income through the Group's translation reserve. Such translation differences are recognised in the income statement in the period in which the operation is disposed of.

iii) Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations are recognised in other comprehensive income through the Group's translation reserve. They are released into the income statement upon disposal of the foreign operation.

d) Property, plant and equipment

i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see note 2e) below).

ii) Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

iii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. Land is not depreciated. The estimated useful lives of all other categories of assets are three years.

The residual value is assessed annually. Gains and losses on disposal are determined by comparing proceeds with carrying amount and are included in the income statement.

e) Impairment

i) Whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable the asset is reviewed for impairment. An asset's carrying value is written down to its estimated recoverable amount (being the higher of the fair value less costs to sell and value in use) if that is less than the asset's carrying amount.

ii) Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss for the period.

f) Disposal groups and non-current assets held for sale

Disposal groups and non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Disposal groups and non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

This is the case, when the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets or disposal groups and the sale is considered to be highly probable.

A sale is considered to be highly probable if the appropriate level of management is committed to a plan to sell the asset or disposal group, and an active programme to locate a buyer and complete the plan has been initiated. Further, the asset or disposal group has been actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale is expected to qualify for recognition as a completed sale within one year from the date that it is classified as held for sale.

g) Financial instruments

i) Investments

Equity financial instruments held by the Group, other than investments in subsidiaries, are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss recognised in other comprehensive income, except for impairment losses. When these investments are sold the cumulative gain or loss previously recognised in other comprehensive income is recognised in the income statement.

Investments in subsidiary undertakings are stated at cost less provision for impairment.

ii) Trade and other receivables

Trade and other receivables are not interest bearing and are stated at amortised cost.

Notes to the financial statements

For the year ended 31 December 2011

iii) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

iv) Trade and other payables

Trade and other payables are not interest bearing and are stated at amortised cost.

h) Share based payment transactions

Directors, senior executives and consultants of the Group have been granted options to subscribe for ordinary shares. All options are equity settled.

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, at date of grant, and this is expensed on a straight line basis over the estimated vesting period. This estimate is determined using an appropriate valuation model considering the effects of the vesting conditions, expected exercise period and the payment of dividends by the Company.

Shares issued in settlement of expenses are recognised at the fair value of the services received.

i) Operating lease payments

Payments made under operating leases are recognised on a straight-line basis over the term of the lease.

j) Share capital

The Company's ordinary shares are classified as equity.

k) Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

l) Revenue

Revenue comprises the fair value of the consideration received or receivable for the provision of services to or from external customers (net of value added tax and other sales taxes).

Sale of testwork services

The group sells services to other mining companies. These services are generally provided on fixed-price contracts, with contract terms usually less than one year. Revenue is recognised under the percentage-of-completion method, based on the services performed to date as a percentage of the total services to be performed.

Royalty income

Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

m) Research and development costs

Research costs are recognised in the income statement as an expense as incurred. Development costs are recognised in the income statement as an expense as incurred unless the development project meets specific criteria for deferral and amortisation. No development costs have been deferred to date because there is insufficient information at the balance sheet date to quantify the expected future economic benefits from the proprietary leaching technologies.

n) Taxation

The charge for taxation is based on the profit or loss for the year and takes into account deferred tax. Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit or loss, and is accounted for using the balance sheet method. Deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available in the foreseeable future against which the temporary differences can be utilised.

o) Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker.

The Chief Operating Decision Maker, responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

p) Critical accounting estimates and judgements

The preparation of financial statements under the principles of IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to the financial statements

For the year ended 31 December 2011

Information about such judgements and estimates is contained in the accounting policies and/or the notes to the financial statements and the key areas are summarised below. Areas of judgement that have the most significant effect on the amounts recognised in the financial statements are

- Impairment of assets - note 2(e)
- Estimation of share based payment costs - notes 2(h) and 21

3 Segmental information

The following information is given about the Group's reportable segments

The Chief Operating Decision Maker is the Board of Directors. The Board reviews the Group's internal reporting in order to assess performance of the business. Management has determined the operating segment based on the reports reviewed by the Board

The Board considers that, since the sale of Argentina Gold Group Limited, there remains only one operating segment. This incorporates similar activities and services, namely Head Office, including the development and management of intellectual property rights. The results and assets of Peruvian operations are deemed to be immaterial and are included within the remaining single segment. The analysis has been prepared on the basis that prevailed and was reported to the Board until 31 December 2011

As the group is in the early stages of developing and licensing a new product, the Board assesses the performance of the business based on the segment's Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), and overall loss before tax

The Head Office and Intellectual Property segment recognises all costs and revenues. This segment is not further sub-divided to different geographical regions due to its knowledge and services being offered to a broad geographical spread of clients, often indirectly through multinational groups

As the company has only a single activity and there is also only one geographical segment, the disclosures for this segment have already been given in these financial statements

Segmental disclosures for the year ended 31 December 2010 were as follows

	Head Office and Intellectual Property	Argentina and Peru	Group total
	2010 £'000	2010 £'000	2010 £'000
External and total segment revenues	220	-	220
EBITDA	(1,060)	(206)	(1,266)
Interest revenue	9	1	10
Depreciation and amortisation	-	(1)	(1)
Loss before tax for trading segment	(1,051)	(206)	(1,257)
Reconciliations			
	2010 £'000	2010 £'000	2010 £'000
(i) Group loss before tax	(1,051)	(206)	(1,257)
Loss before tax for trading segments	(1,051)	(206)	(1,257)
Share option charges	(52)	-	(52)
Loss before tax	(1,103)	(206)	(1,309)
Reversal of previously recognised impairment (note 13)	-	1,099	1,099
Loss for the year	(1,103)	893	(210)
	2010 £'000	2010 £'000	2010 £'000
(ii) Group assets			
Assets not allocated for internal reporting	-	-	-
Non-current assets	-	-	-
Group other receivables	115	1,116	1,231
Group cash and cash equivalents	2,357	97	2,454
Group total assets	2,472	1,213	3,685

(iii) Major customers 2010

During the year two customers each accounted for more than 10% of the Group's revenues. These revenues are all attributable to the Head Office and Intellectual Property segment. They derive from sales of consultancy services and mineral processing test-work services, all related to the Group's intellectual property

	2010 £'000	%
Customer 1	146	66%
Customer 2	34	15%
	180	81%

Notes to the financial statements

For the year ended 31 December 2011

4 Operating loss

Operating loss is stated after charging/(crediting)

	2011 £'000	2010 £'000
Depreciation	8	-
Exchange gain on foreign currency	(3)	(40)
Operating lease expense	33	38
Share option charge (note 21)	37	52
Shares issued in payment of expenses	50	-
Research and development expenses	464	369

5 Auditor's remuneration

	2011 £'000	2010 £'000
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	19	20
Fees payable to the Group's auditor and its associates for other services	-	-
The audit of the Group's subsidiaries pursuant to legislation	-	4
Other services pursuant to legislation	-	9
Tax services	5	4
Other services	-	2
	24	39

6 Staff costs and directors' emoluments

Directors' remuneration is set out below

	Annual salary £'000	Other Fees £'000	benefits £'000	Total £'000
2011				
M L Sutcliffe	186	-	6	192
M L Rosser	125	-	2	127
R O Davey	-	25	-	25
J S Bunyan	-	40	1	41
E M Morfett	-	25	-	25
	311	90	9	410
2010				
M L Sutcliffe	174	-	5	179
M L Rosser	124	-	2	126
R O Davey	-	25	-	25
J S Bunyan	-	40	1	41
E M Morfett	-	25	-	25
	298	90	8	396

The aggregate staff costs for the year were as follows

	2011 £'000	2010 £'000
Directors' remuneration	410	396
Other staff wages and salaries	248	332
Social security costs	28	40
Share based payments	37	52
	723	820

On average, excluding non-executive directors, the group employed 3 technical staff members (2010: 4) and 2 administration staff (2010: 3)

Notes to the financial statements

For the year ended 31 December 2011

7 Investment income

	2011 £'000	2010 £'000
Unwinding of discount on other receivables	142	-
Interest on short term bank deposits – continuing operations	5	10
Exchange differences on foreign currency – continuing operations	3	40
	150	50

8 Income taxes

No liability to income taxes arises in the period

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

	2011 £'000	2010 £'000
Loss before tax	(1,680)	(1,094)
Current tax at 26% (2010 28%)	(437)	(306)
Effects of:		
Expenses not deductible for tax purposes	120	64
Qualifying depreciation in excess of capital allowances on which no deferred tax has been provided	-	(1)
Unrelieved tax losses arising in the period	317	243
Income tax expense	-	-

Unrecognised deferred tax assets

	2011 £'000	2010 £'000
Cumulative tax losses	1,569	1,491
Unrelieved exploration expenditure arising in overseas subsidiaries	165	152
Accelerated capital allowances	4	3
Unrecognised deferred tax asset at end of period	1,738	1,646

Deferred tax assets carried forward have not been recognised in the accounts because there is currently insufficient evidence of the timing of suitable future taxable profits against which they can be recovered

9 Loss per share

The calculation of loss per share is based on the weighted average number of shares in issue in the year to 31 December 2011 of 135,797,501 (31 December 2010 135,486,542) and computed on the respective profit and loss figures as follows

	2011 £'000	Per share	2010 £'000	Per share
(Loss) - continuing operations	(1,680)	(1.24)p	(1,094)	(0.81p)
(Loss) - continuing and discontinued operations	(193)	(0.14)p	(210)	(0.16p)
Profit - discontinued operations	1,487	1.10p	884	0.65p

There is no difference between the diluted loss per share and the basic loss per share presented. Share options granted to employees could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share as they are anti-dilutive for the period presented

Notes to the financial statements

For the year ended 31 December 2011

10 Property, plant & equipment The Group

	Office equipment and furniture £'000	Leasehold improvements £'000	Motor vehicles £'000	Total £'000
Cost				
As at 1 January 2010	47	35	-	82
Disposals	(2)	-	-	(2)
As at 31 December 2010	45	35	-	80
Additions	2	-	35	37
Disposals	(10)	-	-	(10)
As at 31 December 2011	37	35	35	107
Depreciation				
As at 1 January 2010	(46)	(35)	-	(81)
Disposals	1	-	-	1
As at 31 December 2010	(45)	(35)	-	(80)
Charged in year	(1)	-	(7)	(8)
Disposals	10	-	-	10
As at 31 December 2011	(36)	(35)	(7)	(78)
Net book value				
As at 31 December 2011	1	-	28	29
As at 31 December 2010	-	-	-	-
As at 1 January 2010	1	-	-	1

The Company

	Office equipment and furniture £'000	Leasehold improvements £'000	Motor vehicles £'000	Total £'000
Cost				
As at 1 January 2010 and 1 January 2011	45	35	-	80
Additions	2	-	35	37
Disposals	(10)	-	-	(10)
As at 31 December 2011	37	35	35	107
Depreciation				
As at 1 January 2010 and 1 January 2011	(45)	(35)	-	(80)
As at 1 January 2010 and 1 January 2011	(45)	(35)	-	(80)
Charged in year	(1)	-	(7)	(8)
Disposals	10	-	-	10
As at 31 December 2011	(36)	(35)	(7)	(78)
Net book value				
As at 31 December 2011	1	-	28	29
As at 31 December 2010	-	-	-	-
As at 1 January 2010	-	-	-	-

Notes to the financial statements

For the year ended 31 December 2011

11 Investments

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Subsidiary undertakings (a)	-	-	-	-

(a) Company subsidiary undertakings

As at 31 December 2011, the Group owned interests in the following subsidiary undertakings, which are included in the consolidated financial statements

Name	Holding	Business Activity	Country of Incorporation
MetaLeach Limited	100%	Leaching technology development	British Virgin Islands
Molinetes (BVI) Limited	100%	Investment holding	British Virgin Islands
Compania Minera Molinetes SAC ¹	100%	Exploration	Peru
Alexander Mining Katanga s p r l	100%	Dormant	Democratic Republic of Congo
Alexander Mining Technologies Limited	100%	Dormant	British Virgin Islands

1 Owned by Molinetes (BVI) Limited

The Company's subsidiary, Alexander Gold Group Limited, was sold on 28 February 2011 – see note 12 for further details

(b) Available for sale investments

During 2005, the Company acquired an interest in 1,165,000 ordinary shares of AU\$0.20 each in Manana Resources Limited, a company registered in New South Wales, Australia, for a total cost of £99,957. Manana Resources Limited's shares are traded on the AIM Market of the London Stock Exchange plc.

During 2010, this investment was sold for the cash sum of £469,896, yielding a profit on disposal of £369,939. Of this profit, £102,170 was held in a fair value reserve at 31 December 2009. The fair value reserve was transferred to the 2010 income statement upon disposal of the investment.

12 Disposal group – discontinued operations

On 28 February 2011, the Company completed, as planned, the sale of its entire interest in its subsidiary, Alexander Gold Group Limited, for the sum of US\$2,200,000. US\$400,000 was received on execution of the legally binding sale and purchase agreement and 18 monthly payments of US\$100,000 each became due, commencing in March 2011.

Given the stage of negotiations at 31 December 2010, the directors used the proposed transaction as the 'best' indicator of the fair value of the disposal group and discounted the expected proceeds to arrive at a fair value of £1,140,000 after deducting expected costs to sell. Previously impaired assets of the disposal group had impairments reversed to give a carrying value equal to that fair value amount.

At 1 January 2010 no carrying value had been brought forward for the investment in Alexander Gold Group within the Company's balance sheet. Previously recognised impairments for this investment were therefore reversed to give a carrying value of £1,140,000 and the investment was classified as a non-current asset available for sale.

A discount rate of 25% per annum was applied in arriving at the fair value of the disposal group, mainly in recognition of the risks implicit in the anticipated collection of future instalment payments. In addition to a small discount for the time value of money, the discount related principally to country / political risk, the risk that foreign exchange controls may restrict future remittances, as well as counter-party in-country credit risks. The same discount rate of 25% per annum was also applied to the consideration receivable for Alexander Gold Group Limited upon initial recognition on 28 February 2011. The discounted balances are included in trade and other receivables (note 13).

A net profit for the year attributed to the discontinued business amounted to £1,487,000 (2010: £884,000), comprised as follows:

	2011 £'000	2010 £'000
Discontinued operation	-	-
Impairment reversal	-	1,099
Administrative expenses	-	(182)
Exploration and development expenses	-	(23)
Profit on disposal of property, plant and equipment	-	-
Investment income	-	1
Finance cost	-	(11)
Gain on disposal of discontinued operation	84	-
Realisation of translation reserve transferred to Income Statement on disposal of the subsidiary (IAS 21)	1,403	-
Profit for the year on discontinued operation	1,487	884

Other comprehensive income relating to the disposal group

The cumulative amount transferred to translation reserve in respect of the disposal group amounted to a credit of £1,403,000 at 31 December 2010. This translation reserve was realised by its transfer to the Income Statement on disposal of the subsidiary during the year ended 31 December 2011.

Notes to the financial statements

For the year ended 31 December 2011

The assets and liabilities of the disposal group / discontinued business for the period ended 31 December 2010, comprised of

	2010 £'000
Current assets	
Other receivables	1,116
Cash at bank	97
Total assets of disposal group	1,213
Current liabilities	
Trade and other payables	18
Environmental provision	55
Total liabilities of disposal group	73

Cash flows of the disposal group

	2010 £'000
Net cash outflow from operating activities	(238)
Net cash flow from investing activities	1
Net cash flow from financing activities	197
Net decrease in cash and cash equivalents	(40)
Cash and cash equivalents at beginning of period	148
Exchange differences	(11)
Cash and cash equivalents at end of period	97

13 Trade and other receivables

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Current assets				
Trade receivables	15	44	-	-
Other receivables	595	28	595	27
Other taxes and social security	4	6	4	6
Prepayments and accrued income	47	37	47	35
	661	115	646	68

Other receivables includes £534,000 (2010 nil) in respect of the remaining instalments due from the sale of the Company's subsidiary, Alexander Gold Group Limited. Amounts due to the Company from its subsidiary companies have been fully provided for as detailed in note 24.

14 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and demand deposits and short term fixed term deposits. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Cash on hand and demand deposits	1,257	2,357	1,256	2,356
Continuing operations	1,257	2,357	1,256	2,356
Disposal group cash and demand deposits (note 12)	-	97	-	-
	1,257	2,454	1,256	2,356

15 Share capital

	2011		2010	
	Number	£'000	Number	£'000
Authorised				
Ordinary shares of 10p each	240,000,000	24,000	240,000,000	24,000
Allotted, called up and fully paid				
Ordinary shares of 10p each	135,986,542	13,599	135,486,542	13,549

Details of share options issued during the year and outstanding at 31 December 2011 are set out in note 21.

Notes to the financial statements

For the year ended 31 December 2011

Changes in Issued Share Capital and Share Premium

For the year ended 31 December 2011

	Number of shares	Nominal value £	Share Premium £	Total £
At 31 December 2010	135,486,542	13,548,654	11,849,590	25,398,244
Shares issued at 10p each – in settlement of expenses, on 18 May 2011	500,000	50,000	-	50,000
At 31 December 2011	135,986,542	13,598,654	11,849,590	25,448,244

All of the above shares were issued to finance the ordinary activities of the Group

Shares issued in settlement of expenses have been recognised at the fair value of the services received

16 Capital and reserves

The Consolidated and Company statements of changes in equity are set out on pages 28 and 29 of this report

- The merger reserve at 31 December 2010 arose from the Company's acquisition of Alexander Gold Group Limited on 22 March 2005. The merger reserve balance was transferred to accumulated losses upon the sale of Alexander Gold Group on 28 February 2011.
- The share option reserve includes an expense based on the fair value of share options issued since 7 November 2002 that had not vested by 1 January 2006. Details of share options issued during the period and outstanding at 31 December 2011 are set out in note 21.
- The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that do not have a Sterling functional currency. That part of the reserve that related to the operations of Alexander Gold Group Limited was transferred to the Income Statement upon the sale of that subsidiary on 28 February 2011.

The Company has taken advantage of the exemption permitted by Section 408 of the Companies Act 2006 and has not presented its own income statement

17 Trade and other payables

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Trade payables	36	67	36	67
Other payables	-	32	-	32
Other taxes and social security	9	-	9	-
Accruals and deferred income	78	180	65	175
	123	279	110	274

18 Provisions

	Group	
	2011 £'000	2010 £'000
Environmental provision		
At 1 January	-	53
Exchange difference	-	2
Provision classified as held for sale	-	(55)
At 31 December	-	-

The 2010 environmental provision represented the directors' estimate of rehabilitation costs for the Group's Leon project site in Argentina. The project was that of Alexander Gold Group Limited, which subsidiary was sold on 28 February 2011. The Group has no further environmental rehabilitation liabilities.

Notes to the financial statements

For the year ended 31 December 2011

19 Financial risk management

The Group's and Company's principal financial assets comprise cash and cash equivalents, trade receivables, other receivables and available for sale financial assets. In addition, the Company's financial assets include amounts due from subsidiaries. The Group's and Company's financial liabilities comprise trade payables, other payables, and accrued expenses.

All of the Group's and Company's financial liabilities are measured at amortised cost. With the exception of available for sale financial assets, which are recorded at fair value, all of the Group's and Company's financial assets are classified as loans and receivables.

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. All non-routine transactions require Board approval. During 2011 the Group has not used derivative financial instruments.

The Board consider that the risk components detailed below apply to both Group and Company. Financial risks are managed at Group rather than Company level.

Credit risk

Credit risk refers to the risk that the Group's financial assets will be impaired by the default of a third party. The Company's primary exposure is to credit risk on the debtor of £534,000 (2010 £1,116,000) referred to in note 13, in respect of the sale of its subsidiary, Alexander Gold Group Limited. The Group is further exposed to credit risk on its cash and cash equivalents as set out in note 14, with additional risk attached to other receivables set out in note 13. Credit risk is managed by ensuring that surplus funds are deposited only with well-established financial institutions of high quality credit standing. The majority of receivables risk is mitigated by the holding of mortgage charges over fixed properties to secure payment of the £534,000 receivable due from the buyers of the Group's Argentinean subsidiary.

At 31 December 2011 the Group had no significant trade receivables. The Group's focus on commercialising its technologies may result in significant trade receivables during 2012, the credit risk on which will be managed by assessing the credit quality of each customer, taking into account its financial position and any other relevant factors.

Foreign currency risk

Foreign currency risk refers to the risk that the value of a financial commitment, recognised asset or liability will fluctuate due to changes in foreign currency rates. The Group reports its financial results in Sterling and is therefore exposed to foreign currency risk as a result of financial assets, future transactions and investments in foreign companies denominated in currencies other than Sterling.

Exchange gains and losses on financial assets or future transactions are recognised directly in profit or loss. A proportion of the Group's costs are incurred in US Dollars, Australian Dollars, New Zealand Dollars, Euros and Peruvian Nuevo Soles. Accordingly, movements in the Sterling exchange rate against these currencies could have a detrimental effect on the Group's results and financial condition.

Foreign exchange risk is managed by maintaining some cash deposits in currencies other than Sterling. The table below shows the currency profiles of cash and cash equivalents.

	2011 £'000	2010 £'000
Sterling	515	1,859
US Dollars	662	492
Australian Dollars	78	44
New Zealand Dollars	2	33
Euros	-	8
Argentinean Pesos	-	18
	1,257	2,454

The Group has assets located in Peru (which is considered to have a Peruvian Nuevo Soles functional currency). Exchange gains and losses resulting from currency fluctuations on such assets are recognised in other comprehensive income within the translation reserve. At 31 December 2011, movements of up to 5% in the Sterling/US dollar and Sterling/other currencies exchange rates are not considered to have a material effect on the Group's balance sheet. The impact of a 5% movement has been selected as this is considered reasonable given the current level of exchange rates and the volatility observed on a historical basis. The Group does not hedge its exposure to investments in foreign companies denominated in currencies other than Sterling.

Notes to the financial statements

For the year ended 31 December 2011

The table below shows an analysis of net monetary assets and liabilities by functional currency of the Group

	Sterling £'000	US Dollars £'000	Peruvian Nuevo Soles £'000	Total £'000
2011				
Balances denominated in				
Sterling	495	-	-	495
US Dollars	1,224	-	1	1,225
Australian Dollars	72	-	-	72
New Zealand Dollars	2	-	-	2
Other currencies	1	-	-	1
	1,794	-	1	1,795
2010				
Balances denominated in				
Sterling	1,800	-	-	1,800
US Dollars	1,663	(67)	1	1,597
Canadian Dollars	(106)	-	-	(106)
New Zealand Dollars	33	-	-	33
Argentinean Pesos	-	36	-	36
Other currencies	14	-	-	14
	3,404	(31)	1	3,374

Commodity price risk

Commodity price risk is the risk that the Group's future earnings will be adversely impacted by changes in the market prices of commodities. The Group is exposed to commodity price risk as its future revenues may be determined by reference to market prices of metals.

In addition to any new projects acquired by the Group, future revenue streams may include royalties from the development of third party assets. The Group's revenue from such royalty streams will be dependent on future commodity prices, both in terms of the absolute value of the royalty and the commodity price required for the successful economic development of such assets.

The Group manages commodity price risk by considering the impact of fluctuations in commodity prices on the value of the Group's intellectual property and the potential value of third party assets on which the Group is negotiating future royalty agreements.

Liquidity risk

Liquidity risk relates to the ability of the Group to meet future obligations and financial liabilities. The Group monitors its risk to a shortage of funds using cash flow models, which consider existing financial assets, liabilities and projected cash inflows and outflows from operations.

The table below sets out the maturity profile of financial liabilities at 31 December

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Due in less than one month	84	246	71	211
Due between one and three months	6	38	6	38
Due between three months and one year	24	28	24	25
	114	312	101	274

To date the Group has relied upon shareholder funding of its activities. Development of mineral properties, the acquisition of new opportunities, or the recovery of royalty income from third party assets, may be dependent upon the Group's ability to obtain further financing through joint ventures, equity or debt financing, corporate developments 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.

Based on a review of the Group's budgets and cash flow forecasts, the directors have identified that if current and near-term corporate development opportunities are unsuccessful in providing adequate funding then the Company will need to raise finance within the next twelve months in order to continue its operations and to meet its commitments.

In common with many mining, exploration and intellectual property development companies, the Company needs to raise finance for its activities in discrete tranches to finance its activities for limited periods. The Directors are confident that the Company currently has a range of corporate development opportunities which could include significant funding outcomes and moreover that, if necessary, any further funding can be raised as and when required.

Notes to the financial statements

For the year ended 31 December 2011

Interest rate risk profile of financial assets

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that the Group uses. Interest bearing assets comprise cash and cash equivalents. It is the Group's policy to settle trade payables within the credit terms allowed and the Group does not therefore incur interest on overdue balances.

At 31 December 2011 the Group had Sterling denominated short term deposits which attracted interest as follows

	2011		2010	
	Deposit	Interest rate	Deposit	Interest rate
	£'000		£'000	
Sterling deposits	311	0.50%	1,282	0.50%

The value of the Group's assets at 31 December 2011 and the result for the period would not be materially affected by changes in interest rates.

Fair values of financial assets and liabilities

It is the directors' opinion that the carrying values of the Group's and the Company's financial assets and liabilities as at 31 December 2011 and 31 December 2010 are not materially different from their fair values. They have therefore not been shown separately.

20 Capital management

The Group's objective when managing capital is to safeguard the entity's ability to continue as a going concern, and develop its activities to provide returns for shareholders and benefits for other stakeholders.

The Group's capital structure comprises all components of equity (i.e. ordinary share capital, share premium, retained earnings and other reserves). At 31 December 2011 the Group had no debt. When considering the future capital requirements of the Group and the potential to fund specific project development via debt the directors consider the risk characteristics of all of the underlying assets in assessing the optimal capital structure.

21 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:

	2011		2010	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the period	10.1p	9,975,000	10.0p	10,091,665
Granted during the period	10.0p	1,250,000	12.4p	350,000
Cancelled during the period	10.0p	(1,050,000)	10.0p	(466,665)
Outstanding at the end of the period	10.1p	10,175,000	10.1p	9,975,000
Exercisable at the end of the period	10.1p	7,861,665	10.1p	6,874,995

Share options outstanding at 31 December 2011 had a weighted average exercise price of 10.1 pence (2010: 10.1 pence) and a weighted average contractual life of 6.4 years (2010: 6.6 years). To date no share options have been exercised. There are no market based vesting conditions attaching to any share options outstanding at 31 December 2011.

Notes to the financial statements

For the year ended 31 December 2011

At 31 December 2011 the total number of options over ordinary shares outstanding was as follows

Exercise period	Number	Weighted average exercise price
Vested		
Exercisable until 2015	2,250,000	10 0p
Exercisable until 2016	525,000	10 0p
Exercisable until 2017	750,000	10 0p
Exercisable until 2018	2,300,000	10 0p
Exercisable until 2019	1,833,332	10 0p
Exercisable until 2020	203,333	12 2p
Exercisable at the period end	7,861,665	10 1p
Not yet vested		
Exercisable between 2012 and 2019	916,668	10 0p
Exercisable between 2012 and 2020	146,667	12 7p
Exercisable between 2012 and 2021	1,250,000	10 0p
	10,175,000	10 1p

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.

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

Date of Grant	9 June 2011	23 August 2011
Fair value (p) ¹	2 0p	1 3p
Share price (p)	7 9p	5 6p
Exercise price (p)	10 0p	10 0p
Expected volatility ²	48%	58%
Option life	3 years	3 years
Expected dividends	0 0%	0 0%
Risk-free rate of return	0 5%	0 5%

- 1 The fair value of options awarded on 9 June 2011 was 2 0p per share and for those awarded on 23 August 2011 the fair value was 1 3p per share
- 2 Volatility for options granted was estimated based on the Company's daily closing share price during the 12 months prior to the issue of the share options

22 Commitments

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

	2011 £'000	2010 £'000
Payable within one year	33	37
Payable between one and two years	-	37
	33	74

The Group does not sub-lease any of its leased premises. Payments under operating leases recognised in operating loss in the period are set out in note 4.

Notes to the financial statements

For the year ended 31 December 2011

23 Contingent liabilities

There were no contingent liabilities at 31 December 2011 or 31 December 2010

24 Related parties

The Group's investments in subsidiaries have been disclosed in note 11

During the period, Alexander Mining plc entered into the following transactions with other group companies

	Sale of goods and services		Amounts owed by group companies			
	2011	2010	At 1 January 2011	Increase/ (decrease) in period	Provisions in period	At 31 December 2011
	£'000	£'000	£'000	£'000	£'000	£'000
Molinetes BVI Limited	-	-	-	10	(10)	-
MetaLeach Limited	10	-	-	607	(607)	-
	10	-	-	617	(617)	-

Amounts owed by related parties are unsecured, interest-free, and have no fixed terms of repayment. The balances will be settled in cash. No guarantees have been given or received.

Details of directors' emoluments are set out in note 6. Compensation for key management personnel was as follows:

	2011	2010
	£'000	£'000
Short-term employee benefits	617	671
National Insurance contributions	25	25
Other benefits	9	8
Share-based payments	35	50
	686	753

During the period, MetaLeach Limited paid £15,000 (2010: nil) to consulting metallurgist Dr Katherine Mallat in respect of AmmLeach® testwork supervision. Dr Mallat is the spouse of Garry Johnston, a senior Group employee.

Notice of Annual General Meeting

(incorporated and registered in England and Wales under number 5357433)

Notice is hereby given that the Annual General Meeting of Alexander Mining plc will be held at the East India Club, 16 St James's Square, London, SW1Y 4LH at 10.30am on Thursday 14th June 2012 in order to consider and, if thought fit, pass resolutions 1 to 4 as ordinary resolutions and resolution 5 as a special resolution

Ordinary Resolutions

- 1 To receive, consider and adopt the Directors' Report and Accounts for the year ended 31st December 2011, together with the Auditor's report thereon
- 2 To re-elect as a director Mr M L Rosser 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
- 3 To re-appoint PKF (UK) LLP of Farnngdon Place, 20 Farnngdon Road, London EC1M 3AP, as auditors of the Company and to authorise the Directors to determine their remuneration
- 4 That the Directors be generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 (the '2006 Act') to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company ('Rights') up to an aggregate nominal amount of £6,000,000 provided that this authority shall, unless previously revoked or varied by the Company in general meeting, expire at the conclusion of the next Annual General Meeting of the Company following the date of the passing of this resolution or (if earlier) 12 months from the date of passing of this resolution, but so that the directors 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 that offer or agreement as if the authority hereby conferred had not expired

This authority is in substitution for all previous authorities conferred on the Directors in accordance with Section 80 of the Companies Act 1985, or Section 551 of the 2006 Act

Special Resolution

- 5 That, subject to the passing of Resolution 4, the Directors be given the general power to allot equity securities (as defined by Section 560 of the 2006 Act) for cash, either pursuant to the authority conferred by Resolution 4 or by way of a sale of treasury shares, as if Section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall be limited to

- 5.1 the allotment of equity securities in connection with an offer by way of a rights issue

5.1.1 to the holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings, and

5.1.2 to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary, but subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange, and

- 5.2 the allotment (otherwise than pursuant to paragraph 5.1 above) of equity securities up to an aggregate nominal amount of £6,000,000. The power granted by this resolution will unless renewed, varied or revoked by the Company, expire at the conclusion of the next Annual General Meeting of the Company following the date of the passing of this resolution or (if earlier) 12 months from the date of passing of this resolution, save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired

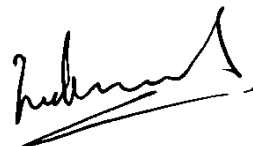
This resolution revokes and replaces all unexercised powers previously granted to the Directors to allot equity securities as if either section 89(1) of the Companies Act 1985 or section 561(1) of the 2006 Act did not apply, but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities

The Board of Alexander Mining plc recommends that shareholders vote in favour of all the proposed resolutions

Members or their appointed Proxies are entitled to ask questions of the Board at the Annual General Meeting. The Board will answer any such questions unless (i) to do so would interfere unduly with the conduct of the meeting or involve the disclosure of confidential information, or (ii) the answer has already been given on the Company's website, or (iii) to answer such questions is contrary to the Company's best interest or the good order of the meeting

By order of the Board,

T A Cross
Company Secretary
8 May 2012



Registered Office
1st Floor, 35 Piccadilly, London, W1J 0DW

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 exercise all or any of the member's rights to attend, speak and vote at the meeting, using the attached Form of Proxy. A proxy need not also be a member. If a member appoints more than one proxy to attend the meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by the member. If a member wishes to appoint more than one proxy and so requires additional proxy forms, the member should contact Capita Registrars on 0871 664 0300 (calls cost 10p per minute plus network extras, lines are open 8.30am – 5.30pm Mon - Fri). 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 and any power of attorney or other authority under which it is signed (or a notationally certified copy of such authority) must be completed and returned so as to reach (i) the Company's Registrars in accordance with the reply paid details or (ii) by hand to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not less than 48 hours before the time appointed for the Annual General Meeting or any adjournment thereof.
- 3 A corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member, provided that they do not do so in respect of the same shares.
- 4 The Company, pursuant to resolution 41(1) of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company at 6.00p.m. on 12th June 2012 (or, if the meeting is adjourned, at 6.00p.m. on the day two days prior to the adjourned meeting) 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). Changes to the register of members after the relevant time shall be disregarded in determining the rights of any person to attend and vote at the meeting.
- 5 If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Services Authority. As a result, any member holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make a separate notification to the Company and the Financial Services Authority.
- 6 The following documents will be available for inspection during normal business hours on any week day 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 14th June 2012 until the end of the meeting:
 - i) a copy of the Memorandum and Articles of Association of the Company,
 - ii) the contracts of service and letters of appointment between the Company or its subsidiary undertakings and its Directors.
- 7 To appoint proxies or give/amend an instruction to an appointed proxy via the CREST system, the CREST message must be received by the issuer's agent (ID: RA10) by 6.00p.m. on 12th June 2012 and time of receipt will be taken as the time (as determined by the timestamp applied by the CREST Applications Host) that the issuer's agent is able to retrieve the message. CREST Personal Members or other CREST Sponsored Members, and CREST Members who have appointed voting service providers, should refer to their sponsor/voting service provider for advice on appointing proxies via CREST. Regulation 35 of the Uncertificated Securities Regulations 2001 will apply to all proxy appointments sent by CREST. For information on CREST procedures and system timings, please refer to the CREST Manual.

Form of Proxy

Proxy Form for use by holders of ordinary shares at the Annual General Meeting (the 'AGM') to be held on Thursday 14th June 2012.
Please read the Notice of the Meeting and the accompanying explanatory notes to this Proxy Form carefully before completing this Proxy Form

I/We _____ (block capitals please)

of

being a member/members of Alexander Mining plc, appoint the Chairman of the AGM or (see Explanatory Note 2)*

as my/our proxy to exercise all or any of my/our rights to attend, speak and vote in respect of my/our voting entitlement on my/our behalf as indicated below at the AGM and at any adjournment thereof (see Explanatory Notes 3, 4 and 5)

☐ Please tick here if this proxy appointment is one of multiple appointments being made

* For the appointment of more than one proxy, please refer to Explanatory Note 4 Please clearly mark the boxes below to instruct your proxy how to vote

Resolutions	For	Against	Vote withheld	Discretionary
Ordinary Resolutions				
1 Adoption of Report and Accounts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Mr M L Rosser	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Re-appointment of PKF (UK) LLP	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Authority to allot new shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Special Resolution				
5 Dis-application of pre-emption rights	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signature (see Explanatory Note 6)

Date

Explanatory Notes to the Proxy Form

- As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the AGM on your behalf. You should appoint a proxy using the procedure set out in these Explanatory Notes.
- A proxy need not be a member of the Company but must attend the meeting to represent you. If you wish to appoint as a proxy a person other than the Chairman of the AGM, please delete the words 'the Chairman of the AGM' and insert the full name of the other person in the box provided on this Proxy Form. If you sign and return this Proxy Form with no name inserted in the box, the Chairman of the AGM will be deemed to be your proxy. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this Proxy Form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account).
- The completion and return of this Proxy Form will not prevent you from attending in person and voting at the AGM should you subsequently decide to do so. However, if you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
- You are entitled to appoint more than one proxy provided that each proxy is appointed to exercise rights attached to a different share or shares held by you. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy please use a photocopy of this form or contact Capita Registrars on 0871 664 0300 (calls cost 10p per minute plus network extras. Lines are open 8.30am – 5.30pm Mon – Fri). Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
- If you wish your proxy to cast all of your votes for or against a resolution you should insert an 'X' in the appropriate box. If you wish your proxy to cast only certain votes for and certain votes against, insert the relevant number of shares in the appropriate box. The 'Vote Withheld' option is provided to enable you to instruct your proxy to abstain from voting on a particular resolution. A 'Vote Withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' or 'Against' a resolution. The 'Discretionary' option is provided to enable you to give discretion to your proxy to vote or abstain from voting on a particular resolution as he or she thinks fit. In the absence of instructions, your proxy may vote or abstain from voting as he or she thinks fit on the specified resolutions and, unless instructed otherwise, may also vote or abstain from voting as he or she thinks fit on any other business (including on a motion to amend a resolution, to propose a new resolution or to adjourn the AGM) which may properly come before the AGM.
- This Proxy Form must be signed by the member or his/her attorney. Where the member is a corporation, the Proxy Form must be executed under its common seal or signed by a duly authorised representative of the corporation, stating their capacity (e.g. director, secretary). In the case of joint holders, any one holder may sign this Proxy Form. The vote of the senior joint holder (whether in person or by proxy) will be taken to the exclusion of all others, seniority being determined by the order in which the names stand in the register of members in respect of the joint holding.
- To be valid, the Form of Proxy and any power of attorney or other authority under which it is signed (or a notarially certified copy of such authority) must be completed and returned so as to reach (i) the Company's Registrars in accordance with the reply paid details (ii) or by hand to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not less than 48 hours before the time appointed for the meeting.
- Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the AGM and the number of votes which may be cast thereat will be determined by reference to the register of members of the Company at 6pm on the day which is two days before the day of the AGM or adjourned meeting. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.
- All alterations made to this Proxy Form must be initialed by the signatory.
- If you submit more than one valid proxy appointment in respect of the same share or shares, the appointment received last before the latest time for the receipt of proxies will take precedence. If the Company is unable to determine which was received last, none of the proxy appointments in respect of that share or shares shall be valid.
- Shares held in uncertificated form (i.e. in CREST) may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual.

Second fold

BUSINESS REPLY
Licence No RSBH-UXKS-LRBC



PXS
34 Beckenham Road
Beckenham
BR3 4TU

First fold

Third fold, then tuck in flap and tape along edge

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