



## **Placing and Admission to AIM**

**Nominated Adviser and Broker  
Seymour Pierce Limited**

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Application has been made for the Ordinary Shares of VANE Holdings plc to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. In addition, the rules of AIM are less demanding than those of the Official List of the UK Listing Authority (the "Official List"). AIM securities are not admitted to the Official List. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this document.

A copy of this document, which comprises a prospectus drawn up in accordance with the Public Offers of Securities Regulations 1995 as amended (the "Regulations") has been issued in connection with the application for admission to trading of the Ordinary Shares on AIM and has been delivered to the Registrar of Companies in England and Wales for registration in accordance with Regulation 4(2) of the Regulations.

The whole text of this document should be read carefully. Your attention is drawn to the section entitled "Risk Factors" set out in Part II of this document.

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# VANE Holdings plc

*(Incorporated and registered in England and Wales with registered number 4573663)*

## Placing of 33,681,823 Ordinary Shares at 11p per share and Admission to trading on AIM

*Nominated Adviser and Broker*

**Seymour Pierce Limited**

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### Share capital immediately following Admission

<i>Authorised</i>			<i>Issued and fully paid</i>	
<i>Amount</i>	<i>Number</i>		<i>Amount</i>	<i>Number</i>
£20,000,000	200,000,000	Ordinary Shares of 10p each	£14,614,382.30	146,143,823

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The Directors, whose names appear on page 3 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts, and does not omit anything likely to affect the import of such information. In connection with this document, no person is authorised to give any information or make any representation other than as contained in this document.

The distribution of this document into jurisdictions other than the UK may be restricted by the laws of those jurisdictions and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Seymour Pierce Limited, which is regulated by The Financial Services Authority, is acting as Nominated Adviser and as Broker exclusively for the Company in connection with the proposed admission of the Ordinary Shares to trading on AIM and is not acting for any other person and will not be responsible to any other person for providing the protections afforded to customers of Seymour Pierce Limited, or for advising any other person in connection with the Placing. The responsibilities of Seymour Pierce Limited, as Nominated Adviser, are owed solely to the London Stock Exchange.

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## DIRECTORS, SECRETARY AND ADVISERS

**Directors:** Michael Jeremy Spriggs, *Non-Executive Chairman*  
Steven Danforth Van Nort, *Chief Executive Officer*  
Leavitt Clark Arnold, *Executive Director*  
Matthew Charles Idiens, *Executive Director*  
Robert Parkyn Jeffcock, *Non-Executive Director*  
David Richard Bonner Ingmire, *Non-Executive Director*

*all of:*

2 Park Lane  
Leeds  
LS3 1ES

**Company Secretary:** Matthew Charles Idiens

**Registered Office:** 2 Park Lane  
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LS3 1ES

**Nominated Adviser and Broker:** Seymour Pierce Limited  
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**Solicitors to the Company:** Hammonds  
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Leeds  
LS3 1ES

**Auditors and Reporting Accountants:** Baker Tilly  
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London  
WC1B 3ST

**Solicitors to the Placing:** Field Fisher Waterhouse  
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**Independent Geologists:** Pincock, Allen and Holt  
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**Registrars:** Capita Registrars  
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150 New Bond Street  
London  
W1S 2AQ

## DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

“Act”	the Companies Act 1985 (as amended)
“Admission”	admission of the issued Ordinary Shares (including the Placing Shares) to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	a market operated by the London Stock Exchange
“AIM Rules”	the rules for AIM companies published by the London Stock Exchange from time to time
“Articles”	the articles of association of the Company
“AVEN”	AVEN Associates LLC, a wholly owned subsidiary of VANE
“Board” or “Directors”	the directors of the Company whose names are set out on page 3 of this document
“Company” or “VANE”	VANE Holdings plc
“CREST”	the computerised settlement system to facilitate the transfer of title to or interests in securities in uncertificated form, operated by CRESTCo Limited
“Freeport”	Freeport-McMoRan Copper and Gold Company
“Group” or “VANE Group”	the Company and its subsidiaries at the date of this document
“London Stock Exchange”	London Stock Exchange plc
“Minerales VANE”	Minerales Vane S.A. de C.V., a wholly owned subsidiary of VANE
“Ordinary Shares”	ordinary shares of 10p each in the Company
“Placing”	the conditional placing by Seymour Pierce of the Placing Shares at the Placing Price pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 26 May 2004 between the Company (1), the Directors (2) and Seymour Pierce (3) relating to the Placing, details of which are set out in paragraph 9 of Part VI of this document
“Placing Price”	11p per Placing Share
“Placing Shares”	the 33,681,823 new Ordinary Shares to be issued in connection with the Placing
“POS Regulations”	the Public Offers of Securities Regulations 1995 (as amended)
“Seymour Pierce”	Seymour Pierce Limited
“Shareholders”	holders of Ordinary Shares
“Share Option Plan”	the share option plan adopted by the Board on 25 May 2004
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland

“US” or “United States”	the United States of America, its possessions and territories, any state of the United States of America and the District of Columbia
“VANE Minerals”	VANE Minerals Limited, a wholly owned subsidiary of VANE
“US\$” or “US Dollar”	United States Dollars
“£,” “pence,” “Sterling” or “pounds sterling”	the lawful currency of the United Kingdom

## GLOSSARY

“assay”	the percentage of a particular element or compound in a given sample
“breccia”	a mass or body of strongly broken rock often re-solidified
“contractor”	an independent operator who mines another party’s ore for that party, usually at a predetermined price
“Cretaceous age”	the geological period between 141 and 65 million years before present
“dilution”	the contamination of ore with barren wall rock. The assay of the ore after mining is frequently lower than when sampled in place
“down-dip”	parallel to or in the general direction of the dip of the reef, stratum, vein seam or bed
“drillhole”	a circular hole made in rock, often in conjunction with a core barrel in order to obtain a core sample
“epidote”	a calcium, aluminium and iron silicate mineral
“extrusive”	volcanic material ejected or extruded into the atmosphere
“footwall body”	a mass or block of rock situated beneath an inclined fault or mineral
“Friable”	easily crumbled
“hanging wall”	a mass or block situated above an inclined fault or mineral body
“hydrothermal”	aqueous fluid (often mineralised) whose elevated temperature derives from magmatic processes
“igneous”	originating from a molten state
“indicated resources”	the resources for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence
“inferred resource”	mineralisation which by virtue of observation and testing can reasonably be expected to be present but which does not meet the criteria for an “indicated resource”
“karst”	carbonate terrain characterised by solution features, caves, sinkholes and intrusive drainage
“lithic”	a term referring to a rock material
“mesothermal”	an environment of mineral formation situated at considerable depth within the earth’s crust where temperature lies in the range of 200 to 300 °C.
“NSR”	net smelter receipts – payment by a smelter to a provider of ore based on the recovered value less transportation and smelting and refining charges
“oligocene age”	a geological epoch extending from 36 to 22.5 million years before present

“opt”	troy ounces per ton
“ore”	a mineral or mineral aggregate containing precious or useful minerals in such quantities, grade, and chemical combination to make extraction commercially profitable
“ounce”	English troy ounces equivalent to 31.1035 grams
“silicified”	characterised by the addition of silica ie. silicon dioxide
“stoping”	the act of excavating ore either above or below a set level, in a series of steps in an underground mine
“ton”	a weight equal to 2,000 lbs
“tonne”	a weight equal to 1,000 kg or 2,204.6 lbs
“tuff”	a general term referring to consolidated rock material formed by volcanic explosion or aerial expulsion from a volcano



## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Admission and commencement of dealings in the Ordinary Shares on AIM	2 June 2004
CREST member accounts credited	2 June 2004
Despatch of definitive share certificates in respect of Placing Shares	by 9 June 2004

## PLACING STATISTICS

Placing Price	11p
Number of existing Ordinary Shares	112,462,000
Number of Placing Shares	33,681,823
Placing Shares as a percentage of enlarged issued share capital	23.05%
Number of Ordinary Shares in issue on Admission	146,143,823
Estimated net proceeds of the Placing to be received by the Company	£3,191,000
Market capitalisation following the Placing at the Placing Price	£16,075,820

## PART I

### INFORMATION ON THE COMPANY

#### INTRODUCTION AND BACKGROUND

In late 2000, Freeport – McMoran Copper and Gold Company decided to disband their world-wide mineral exploration programme to focus on Indonesia. At that time their Senior Vice President of Exploration, Steven D. Van Nort, elected for early retirement and together with other members of his team at Freeport formed NuVu Associates LLC, a consulting company. They then negotiated an agreement with Freeport for access to the more than 7,000 world-wide exploration files accumulated by Freeport since 1907 (“the Databank”). On 1 October 2002, the Freeport agreement was assigned to AVEN, a wholly owned subsidiary of VANE Minerals Limited.

VANE Minerals was incorporated on 10 April 2002 and is a minerals exploration and development company focussing on defining and developing projects generated from the review of the Databank and from contacts of the Directors and their associates. VANE Holdings plc is the holding company of VANE Minerals.

The Group’s strategy from the outset has been to:

1. identify a high grade project to provide early cash flow to fund a sustained exploration programme; and
2. build a portfolio of projects from which major mineral discoveries could result.

To date AVEN has reviewed approximately 75 per cent. of the Databank. Several exciting potential prospects have been identified and an option over the mineral rights to a property in Guadalcazar, Mexico, has been obtained. Guadalcazar is an early stage exploration property consisting of a large newly recognised hydrothermal gold system having the potential to define a large gold deposit.

The Company has also acquired the Diablito property, which was introduced from contacts of the Directors. Diablito is an advanced high-grade precious metal vein deposit located in the State of Nayarit, west-central Mexico. Based on a gold price of US\$385/ounce and a silver price of US\$6/ounce the gross value of the precious metals at Diablito per ton of resource is US\$514. It is the intention of the Company to put the Diablito prospect into production within six months of Admission in order to finance exploration costs elsewhere. The Directors believe that the simplicity of the mining process, and the Company’s ability to vary the production rate, makes this an achievable objective.

#### THE FREEPORT AGREEMENT

Under the agreement with Freeport, AVEN has access to the exploration files accumulated by Freeport and its subsidiaries since 1907. There are over 7,000 exploration files, each containing data on one or more mining projects worldwide. The vast majority of these files relate to mines, prospects or reconnaissance areas in the Americas. The Databank is available for review by AVEN searching for references to mineral occurrences with previously unrecognised potential.

To date, approximately 75 per cent. of these files have been and continue to be examined by AVEN in an attempt to identify targets which may now be made viable by application of new metallurgy, advances in geological concepts, changes in metal prices or other technological advances. Several properties from the Databank have been identified which VANE intends to pursue aggressively after Admission.

The agreement with Freeport gives Freeport an option, at the time of reserve announcement and/or when bankable feasibility study stage is reached, to become an equity partner in such a project from the Databank with a participating interest of up to 25 per cent. by paying two times the exploration costs incurred by the Group in proportion to the interest acquired. The agreement, which was assigned to AVEN on 1 October 2002 and has been renewed by mutual agreement, is currently in effect until 30 June 2005. The Databank is solely an information database and includes no mineral rights.

## **DIABLITO PROJECT**

The Diablito project was undertaken to explore a mesothermal quartz vein containing economic values of gold and silver together with sub-economic values of copper, lead and zinc. The project is located in Nayarit State, Mexico, approximately 170 km south of Mazatlan and covers 429 hectares (see Figure 2-1 on page 28). The Diablito project lies within a belt of precious metal deposits that extends for 350 km along the west coast of Mexico.

### **Drilling and Production at Diablito**

The Diablito quartz vein is partially exposed in mine workings opened during the 1960s and 1970s when mining was last active on the vein. In the late 1960s approximately 3,000 tons of material was extracted from the workings which is reported to have contained 650 ounces of silver per ton and 0.5 to 3 ounces of gold per ton. In addition, drill logs indicate that three of five holes reported to have been drilled in the area of the workings and along the strike of the vein intersected strong mineralisation. The workings flooded and were inaccessible until the start of the VANE project in the summer of 2003.

VANE Minerals' wholly owned subsidiary, Minerales VANE, has sampled and drilled part of the vein structure with positive results. The resource is open at depth and to the east and west and two thirds of the mapped structure remains to be evaluated. Present figures show an indicated resource of 26,700 tons at 0.502 opt gold and 53.55 opt silver. There is an inferred resource of 75,000 tons at similar grade. The resource is a high grade flux with an indicated gross contained metal value of US\$514 per ton (based on a gold price of US\$385/ounce and a silver price of US\$6/ounce).

As ore will be shipped directly to a smelter no processing plant will be required. This will incur some transportation costs but will result in a short lead time to production and will greatly reduce start-up capital costs. As a result the Company has decided to initiate production within six months of Admission, following elevation of the resource to reserve status by infill drilling.

All necessary licences are in place to enable small scale production to commence via a bulk sampling programme. As ore will be shipped directly to a smelter, no processing plant will be required thus eliminating chemical residues and minimising the environmental impact on the mine site. A full scale exploitation licence is expected to be granted in due course.

### **Diablito Geology**

The Diablito vein occupies a south-dipping low angle fault that separates light coloured crystal lithic tuffs in the hanging wall from much darker andesite porphyry in the footwall. The fault is continuous and well-developed over a strike length of some 300 metres as determined by geological mapping on aerial photographs and electrical geophysical surveys. Drilling by VANE has tested only about one-third of the total strike length. The deepest holes to date have confirmed the position of the vein 70 metres down dip from its surface exposures; at the depths tested the vein shows no sign of narrowing or weakening. A north-south trending fault zone located east of the mine workings appears to offset the vein placing hanging wall tuffs on the east against the mineralised structure on the west.

Exposures of the Diablito vein, in a small prospect pit located east of the fault described above, indicate that the vein is present east of the fault and that it has been shifted north of the existing mine workings by movement on the fault. The vein east of the mine workings is known to have a strike length of at least 75 metres. Samples taken by VANE from the prospect pit yielded 13.3 opt silver and 0.175 opt gold. This eastern segment of the vein, representing a possible tonnage of open pit resource, has yet to be tested down dip.

Subsidiary faults in the hanging wall of the Diablito vein have produced a stacked assemblage of low angle structures having favourable mineralisation and alteration. The hanging wall rocks are in some places intensely silicified indicating alteration by a hydrothermal system. The footwall rocks are intensely iron-stained with locally developed epidote but are not silicified. Assays of the altered hanging wall and footwall rocks showed only background amounts of gold and silver but suggest the possible presence of other mineralised centres in the vicinity.

## **GUADALCAZAR PROJECT**

Minerales VANE is presently exploring a hydrothermal gold system, previously described as a low grade alluvial occurrence, located near the village of Guadalucazar approximately 80 km northeast of the city of San Luis Potosi in east-central Mexico (see Figure 2-2 on page 29).

Minerales VANE reviewed a Freeport file dating from the late 1940s which referred to US Geological Survey (USGS) Bulletin No. 960 by Carl Fries and Carl Schmitter published in 1948. This bulletin described an evaluation by the USGS of an alluvial or placer deposit containing an unusual association of tin, gold, silver and mercury during the early and middle 1940s. The survey described a volume of mineralised material amounting to more than 900 million tons (500 million cubic metres). Test work in one area, including pitting and drilling, resulted in delineation of some 96 million cubic metres "containing 14,800 tons of tin, 2,640 tons of mercury, 1,662,620 kilograms of silver and 10,220 kilograms of gold". Despite its enormous size and the presence of considerable amounts of contained metal, the occurrence was determined to be uneconomic in 1948 as a result of prevailing metal prices and poor recovery.

In 2003, VANE concluded that with improved recovery technology and the then current metal prices, the occurrence might represent a viable mining opportunity. Upon examining the property it became apparent to VANE that, rather than a placer or alluvial deposit as described by the USGS in the 1940s, the Guadalucazar occurrence was hydrothermal in nature, developed in a granular volcanic tuff resembling sand/gravel but having an extrusive volcanic, rather than alluvial, origin. This tuff has been shown by VANE to contain anomalous gold and silver values over an area 6,000 metres long and 800 metres wide. It is therefore evident to VANE that rather than being an alluvial occurrence with unusual mineralogy, the Guadalucazar project contains a very extensive, highly anomalous and virtually untested hydrothermal precious metal system.

### **Option Agreement**

Minerales VANE has an option agreement with Minera Apolo S.A. de C.V. ("Minera Apolo") over claims in the Guadalucazar district, which cover a total area of approximately 2,923 hectares.

The option agreement contains a consulting agreement with Minera Apolo, under which the following payments were due: US\$50,000 in June 2003; US\$50,000 in July 2003; US\$200,000 in July 2004; and US\$300,000 in June 2005. By June 2006 Minerales VANE must either exercise its option to purchase the claims under this agreement for a final purchase price of US\$10,000,000, or terminate the contract. The final purchase price is payable with US\$5,000,000 cash due on 1 June 2006 and thereafter a sum equal to 1 per cent. of the NSR or US\$500,000 per annum, whichever is the greater, until the additional sum of US\$5,000,000 is reached after which Minera Apolo will receive royalty payments of 1 per cent. NSR.

### **Geology**

The oldest rocks in the Guadalucazar district are limestones of Cretaceous age. These rocks which were intruded by the San Cristobal granite of probable Oligocene age have been extensively brecciated. A number of base and precious metal prospects occur at or near the limestone-granite contact.

The limestone of the district exhibits karst topography characterised by caves, sink holes and underground drainage. The largest sink hole, now filled with volcanic tuff and alluvium, includes Minerales VANE's mining claims. Because of its granular nature and friable character, this tuff was believed by early workers in the 1940s to be an alluvial occurrence containing metal values of placer origin.

The tuff is hydrothermally altered and carries anomalous values of gold, silver, tin and mercury. Sediment samples collected by Minerales VANE over an 100 sq km area from streams draining the tuffs, the limestone breccia and the granite intrusion have been found to contain gold values as high as 4.13 grams/tonne. Alluvial silver, tin and mercury are also concentrated in these recent stream channels. Quarter-tonne samples collected by Minerales VANE from test pits in the tuff representing the western half of the principal tuff unit yielded values ranging up to 0.18g gold per tonne and averaging 0.13g gold per tonne.

Younger alluvial material locally overlies the tuff unit and carries small amounts of metals that were eroded from the tuff and transported down slope to their present location. This material and its contained metals are correctly described as alluvial in origin. Early sampling, prior to Minerales VANE's involvement, failed to differentiate between the volcanic tuff and the overlying alluvial material either one or both of which often carried values of differing origin. As a result some samples contained tuffaceous material, others alluvial material and most commonly both alluvial and volcanic material.

### **Guadalcazar Prospects**

The geological setting, Minerales VANE's extensive property position, the large area of anomalous precious metal mineralisation and the virtual absence of previous exploration activity combine to offer a very good opportunity of defining a large gold deposit.

At this time the Directors are confident that they are dealing with a large and highly anomalous hydrothermal precious metal system, the top few metres of which contain an average of 0.13g gold per tonne. As they continue to refine sampling, concentrating and analytical techniques the Directors believe it is possible that portions of this system exposed at ground surface may prove to be economic.

The Directors believe most potential is offered by the untested portion of the system at depth or concealed beneath alluvial and soil cover. Unlike true placer deposits, disseminated hydrothermal systems are typically zoned both laterally and vertically and are not limited by the underlying bedrock. The Directors believe it is unusual to have an opportunity to explore a virtually untested metal system of this size and character using modern techniques and equipment.

### **MINING IN MEXICO**

Mexico adopted a new mining code in 1992 and amended it in 1996. This code removed many of the barriers to the private ownership and exploitation of mineral resources. Exploration concessions are awarded for six year periods and are not renewable. Exploitation (mining) licences are awarded for fifty year periods and may be renewed for a similar period. Mexico is the world's largest producer of silver and is also a producer of gold, copper, lead and zinc.

### **DIRECTORS AND KEY EMPLOYEES**

The Company has a highly qualified and experienced group of exploration, development and management personnel. AVEN has the benefit of four senior geologists, two of whom are directors of VANE, with cumulative experience in exploration, development and mining of over 150 years. VANE has two further directors with combined experience in assembling large exploration land positions, raising funds and initiating, organising and managing start-up ventures.

#### **Directors**

##### **Michael Jeremy Spriggs**, aged 61, *Non-Executive Chairman*

Michael Spriggs has 27 years' mining sector experience. He graduated from Oxford University with a B.A. (Honours) in 1964 and he obtained an M.Sc. in Geology and Mineral Sciences from the University of Leicester in 1969. He worked as an exploration geologist on a range of international assignments for a number of major mining groups, including Anglo American, Falconbridge and Rio Tinto. He spent 11 years with the mining team of the UK investment bank SG Warburg (now UBS) from 1986-97. He was appointed Head of the South African Mining Equities Research Team and was subsequently appointed Director of Corporate Finance and was involved in a number of major cross-border mining transactions. In 1997 he was appointed a Partner at College Hill, the UK public relations consultancy, as head of the Mining Team.

##### **Steven Danforth Van Nort**, aged 64, *Chief Executive Officer/Co-Lead Geologist*

Steven Van Nort is a co-founder of VANE. He read geology at Amherst College, Massachusetts, obtaining his B.A. Degree in Geology in 1962, and he then read economic geology at Stanford University, California, obtaining his M.S. degree in Economic Geology in 1964. He worked for The M.A. Hanna Company as a geologist and project manager for 19 years and in 1983 he joined David Lowell at Lowell Mineral Exploration where he worked closely with L. Clark Arnold until 1986. From 1986 to 1989, Steven was associated with Clark in a consulting practice involving mineral exploration with emphasis on precious

metals in southwestern US, Chile and Ecuador. Steven then joined Freeport where he rose to senior vice president of exploration-metals and manager of Freeport's worldwide exploration activities until October 2000. He also managed Freeport Indonesia's geological programmes, which included reserve development at the Grasberg mine, one of the world's largest copper/gold mining complexes.

**Leavitt Clark Arnold**, aged 63, *Executive Director/Co-Lead Geologist*

Clark Arnold is a co-founder of VANE. He was awarded a graduate tuition scholarship at the University of Arizona from 1962-67 where he was awarded an M.S. degree in Geology in 1964 and a Ph.D. in 1971. Following completion of course work in 1967, he joined the firm of J. David Lowell and Associates where he was principally engaged in contract mineral exploration. Clark continued with David Lowell until 1986. During this time their most notable achievement was development and implementation of a statistically based method of porphyry copper prospecting which eventually led to two major discoveries: The Escondida mine in Chile, believed to be one of the world's largest copper deposits; and the Santa Cruz deposit in Arizona which proved to be the highest grade copper discovery in Arizona since the early years of the 20th Century. From 1989 to the present Clark has been self-employed in a consulting practice focused on mineral exploration that included a long term consulting arrangement with Freeport at their Grasberg mine in Indonesia.

**Matthew Charles Idiens**, aged 34, *Executive Director*

Matthew Idiens was jointly responsible for the formation of the VANE Group. He has been jointly responsible for the successful fund-raising to date and has extensive knowledge of the global equity and bond markets. Prior to joining VANE, he worked for Laing and Cruickshank Investment Management, the stockbroking arm of the Credit Lyonnais Group, for seven years as a fund manager. He is also Managing Director of SL Minerals Limited, a diamond exploration and development company targeting Sierra Leone, West Africa. He previously worked with Robert Jeffcock in the early 1990s raising funds for a mining operation in South America.

**Robert Parkyn Jeffcock**, aged 64, *Non-Executive Director*

Robert Jeffcock was jointly responsible for the formation of the VANE Group. His role so far has been to direct and focus the Company and he has jointly been responsible for the fund-raising to date. He has 14 years experience in Ecuador and Brazil assembling large areas of mineral exploration rights in historically mineralised areas. Geological work was then implemented within these areas, in several cases these mineral rights were exchanged for shares in public mineral exploration companies. Robert has served as a director of a US public mineral exploration company and he has considerable experience in fund raising within this sector. Robert is also Managing Director of 3Legs Venture Capital Plc.

**David Richard Bonner Ingmire**, FCA, ACII, aged 63, *Non-Executive Director*

David Ingmire has practiced as a chartered accountant in the City of London for 34 years, specialising in corporate taxation. He was a partner at Mazars where he headed up the corporate tax division for 23 years. He retired in 2001.

## **Geologists**

**Frank J Nelson** obtained his BSc. degree in Geology from Syracuse University in 1960 and his MSc. in Geology from the University of Arizona in 1964. Mr. Nelson began his career working as an exploration geologist for the Anaconda Copper Mining Company in southwestern USA and northern Mexico from 1964 to 1967. In 1967 he joined Freeport Exploration Company with whom he was employed as an exploration geologist until he retired in 1990. During those 23 years Mr. Nelson worked on exploration programmes for a variety of commodities, in many countries, including Mexico, Belize, Guyana, Costa Rica, Panama, Chile, Argentina, Bolivia, Brazil, Ecuador, Australia, Indonesia, Malaysia, Taiwan, Spain, Portugal, Cyprus and the USA. He was credited by Freeport for the discovery of the Mount Keith nickel deposit. From 1973 to 1977 he was Chief of Exploration in Freeport's Contract of Work area surrounding the Ertzberg Mine, Indonesia. That work resulted in the discovery of the Ertzberg East (GBT) skarn gold and copper deposit. From 1990 to 2000 he continued to work for Freeport as a full-time exploration consultant, mainly on reconnaissance programmes in Mexico, Spain, Portugal, Turkey, Honduras, Canada and Arizona. Among other projects Mr. Nelson directed an exploration programme in Sonora, Mexico, 1999-2000, which resulted in the discovery of the El Pilar oxide copper deposit.

**Alan Edwards** graduated with bachelor and masters degrees in geology from the University of Oregon in the USA. He received his master's degree in 1972. His professional experience consists of 30 years of work as an exploration geologist and manager of international exploration projects in Egypt, Spain, Mexico, Argentina, and as the manager of production and exploration geology at Freeport's Grasberg mine in Indonesia. Mr. Edwards worked for Texasgulf from 1973 until April 1985 when he accepted employment from Freeport. His work at Grasberg involved supervising a large staff of geologists and support personnel engaged in production geology, grade control, and exploration on the company's mine concession. Since his retirement, he has worked for Crescent Technology, Inc, the outsourced engineering group for Freeport.

#### **DETAILS OF THE PLACING AND ADMISSION TO AIM**

The Company is proposing to raise £3,705,000 (before expenses) by the placing of 33,681,823 new Ordinary Shares with institutional and other investors at the Placing Price, representing approximately 23.05 per cent. of the issued share capital of the Company at Admission. Seymour Pierce has agreed, pursuant to the Placing Agreement and conditional, *inter alia*, on Admission, to use its reasonable endeavours to place the Placing Shares.

Application will be made for the existing Ordinary Shares and the Placing Shares to be admitted to trading on AIM. It is expected that Admission will take place and that dealings in the existing Ordinary Shares and Placing Shares will commence on 2 June 2004.

The Placing Shares will rank *pari passu* in all respects with the existing Ordinary Shares including the right to receive all dividends and other distributions declared, paid or made after the date of issue on the ordinary share capital of the Company.

The Directors and certain other Shareholders, who in aggregate will hold 56.93 per cent. of the issued share capital on Admission, have agreed, subject to certain limited exceptions, that they will not dispose of any interest in Ordinary Shares for the period of 12 months following Admission and for a further 12 months be subject to an orderly marketing arrangement between themselves and Seymour Pierce. In addition, certain other Shareholders, who in aggregate will hold 5.51 per cent. of the issued share capital on Admission, have agreed that they will not dispose of any interest in Ordinary Shares for the period of 6 months following Admission and for a further 18 months be subject to an orderly market arrangement between themselves and Seymour Pierce.

Further details of the Placing Agreement are set out in paragraph 9 of Part VI of this document.

#### **REASONS FOR THE PLACING AND ADMISSION TO AIM**

The net proceeds of the Placing receivable by the Company are expected to be £3,191,000. The Directors intend to use the net proceeds primarily to develop the Company's Diablito and Guadalcazar projects, with the balance of any funds to be used for future acquisition and development opportunities and working capital. In particular, VANE intends to use the net proceeds of the Placing for:

- pre-production development, including infill drilling, at Diablito;
- further exploration and drilling at Guadalcazar;
- new property acquisition and exploration; and
- further review of the Databank.

The Directors believe that Admission will have a number of benefits, including the following:

- Admission should facilitate the raising of further equity capital should it become required or desirable, thereby assisting the Company's ability to grow;
- Admission should raise the profile of the Company, both amongst the investment community and within the mining industry;
- the Company will be better able to enter into negotiations with vendors of target assets, to whom the issue of publicly traded shares as consideration is potentially more attractive;

- the provision of share based incentive schemes involving quoted shares should assist in the recruitment, reward and retention of high calibre employees; and
- Admission will provide liquidity for current and future shareholders in the Company.

## **CORPORATE GOVERNANCE**

The Directors intend, in so far as is practicable given the Company's size, to comply with the main provisions of the Combined Code on Corporate Governance. In line with the Combined Code, the running of the Board and the executive responsibility for the operation of the Company's business is separated, with Michael Spriggs acting as Non-executive Chairman of the Board and Steven Van Nort as Chief Executive.

The Directors have established an audit committee and a remuneration committee. The remuneration committee, consisting of Michael Spriggs as chairman and David Ingmire, will review the scale and structure of the executive Directors remuneration, including the grant of options under the Share Option Plan and the terms of their employment. The audit committee, consisting of David Ingmire as chairman and Michael Spriggs, has primary responsibility for monitoring the quality of internal control, ensuring that the financial performance of the Company is properly measured and reported on and for reviewing reports from the Company's auditors relating to the Company's accounting and internal controls, in all cases having due regard to the interests of Shareholders.

The Directors will comply with Rule 19 of the AIM Rules relating to directors' dealings as applicable to AIM companies and will also take all reasonable steps to ensure compliance by the Company's applicable employees.

## **SHARE OPTION PLAN**

The Company adopted the Share Option Plan on 25 May 2004. All employees, Directors or other persons who provide services to the Company or any subsidiary of the Company may be eligible for participation. Further details of the Share Option Plan and those options granted by the Company are set out in paragraphs 2.7 and 8 of Part VI of this document.

## **DIVIDEND POLICY**

The Company is at an early stage of development and it is therefore inappropriate to give an indication of the likely level and timing of any future dividends.

## **TAXATION**

Information regarding taxation in relation to the Placing and Admission is set out in paragraph 10 of Part VI of this document. **If you are in any doubt as to your tax position you should consult your own independent financial adviser immediately.**

## **CREST**

The Company's Articles permit the Company to issue shares in uncertificated form in accordance with the Uncertificated Securities Regulations 2001. Application has been made for the Ordinary Shares to be admitted to CREST on Admission. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so.



## PART II

### RISK FACTORS

The Directors believe that an investment in the Ordinary Shares may be subject to a number of risks. Investors and proposed investors should consider carefully all the information set out in this document and the risks attaching to an investment in the Company including, in particular, the risks described below, before making any investment decision. The Directors consider the following risk factors to be the most significant for potential investors, but the risks listed do not necessarily comprise all those associated with an investment in the Company nor are they intended to be presented in any order of priority.

#### Company Objectives

The value of an investment in the Company is dependent upon the Company achieving its aims. There can be no guarantee that the Company will achieve these objectives or the level of success that the Directors expect.

#### General Exploration and Mining Risks

Mineral exploration and production involves a high degree of risk, in particular:

- At the present time, the Company does not hold any interest in a mining property in production. The Company's viability and potential success lie in its ability to develop, exploit and generate revenue out of mineral deposits. The exploration and development of mineral deposits involves significant technical, geological and financial risks over extended periods of time. A combination of careful evaluation, experience and knowledge does not eliminate these risks. Few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at site. It is impossible to ensure that the current or future exploration programmes on the Company's current properties or other exploration properties in which the Company may acquire an interest will result in a profitable commercial mining operation.
- The operations of the Company are subject to all of the hazards and risks normally associated with the exploration and development of mineral properties. Any one of these risks and hazards could result in damage to life or property, environmental damage and possible legal liability for any or all damage. Hazards, such as unusual or unexpected formations, rock bursts, water flow, cave-ins, flooding or other conditions may be encountered in drilling and other exploration and development activity. While the Company may obtain insurance against certain risks the nature of these risks are such that liabilities could exceed policy limits or be excluded from coverage. The potential costs associated with any liabilities or compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the future earnings and competitive position of the Company and its financial position.
- The activities of the Company may be subject to prolonged disruptions due to weather conditions depending on the location of the properties in which the Company has interests. Any such delays may adversely affect the operations of the Company and cause the Company to incur substantial unexpected costs.
- Whether a mineral deposit becomes commercially viable depends on a number of factors, including the particular attributes of the deposit, such as its size and grade and proximity to infrastructure, financing costs and government regulations including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting and environmental protection. The effect of these factors cannot be accurately predicted and any one of these factors or the combination of any of these factors may make any mining operation uneconomic.

#### Environmental Regulation

The operations of the Company are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings and disposal areas which would result in environmental pollution.

A breach of such legislation may result in the imposition of fines and penalties or shut-down of operations. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards and enforcement, fines and penalties for non-compliance. The cost of compliance with changes in governmental regulations will likely reduce the profitability of operations.

### **Permits and Licences**

The operations of the Company require licences and permits from various government authorities. Such licences and permits are subject to change in regulations and in various operating circumstances. There can be no assurance that the Company will be able to obtain all necessary licences and permits required to carry out exploration, development and mining operations. In particular, in the event that a commercial ore body is developed at its properties the Company must apply for and obtain an exploitation licence from the applicable government authorities. There is no assurance that it will be granted such a licence or that it will be granted under favourable terms.

### **Title**

There is no assurance that the interests of the Company in its properties will not be challenged or impugned.

### **Freeport Agreement**

There is no assurance that the agreement the Company has with Freeport to access the Databank will be extended beyond its current expiration date of 30 June 2005.

### **Fluctuating Mineral Prices**

Factors beyond the control of the Company may affect the marketability of any gold, silver, copper, lead, zinc and any other minerals discovered. Prices of these minerals and other minerals fluctuate widely and are affected by numerous factors beyond the control of the Company. The effect of these factors and future price fluctuations on the Company and the viability of its operations cannot be predicted.

### **Estimates of Resources, Mineral Deposits and Production Costs**

Although the deposit figures describing the Diablito project and Guadalcazar project included in this document have been carefully prepared by the Company and its consultants these amounts are estimates only and no assurance can be given that any particular level of recovery of gold, silver or other mineral will in fact be realised or that an identified mineral deposit will ever qualify as a commercially viable ore body which can be exploited economically.

Estimates of mineral deposits and production costs can also be affected by such factors as environmental permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grade of ore ultimately mined may differ from that indicated by drilling results. Short term factors relating to resources, such as the need for orderly development of ore bodies or the processing of new or different grades, may also have an adverse effect on mining operations and on the results of operations. Material changes in resources, grades, stripping ratios or recovery rates may affect the economic viability of the Company's projects.

Resources are reported as general indicators of mine life. Resources should not be interpreted as assurances of mine life or of the profitability of future operations. There is a degree of uncertainty attributable to the calculation of resources and corresponding grades being mined or dedicated to future production. Until ore is actually mined and processed, resources and grades must be considered to be estimates only. In addition, the quantity of resources may vary depending on mineral prices. Any material change in resources, grades or stripping ratios will affect the economic availability of the projects.

## **Competition**

All aspects of the mineral and mining business are competitive. The Company competes with many other companies and individuals, including competitors with greater financial, technical and other resources than the Company, in the search for and acquisition of attractive mining properties. The ability of the Company to acquire properties in the future may depend not only on its ability to develop its current properties but also on its ability to select and acquire other suitable properties or prospects for mineral exploration and development. There is no assurance that the Company will be able to compete successfully with its competitors in acquiring such properties or prospects.

## **Financing Risks**

The Company will require substantial additional funding in order to maintain its property interests and to continue with ongoing exploration and development work on those properties. In addition, in the event that the Company acquires additional property interests it will likely be necessary for the Company to obtain additional funding to finance such acquisitions or exploration and development work on such properties. The Company has also entered into a number of contractual commitments with respect to certain of its consultants. The Company has limited financial resources and there is no assurance that additional funding will be available to it as required for current or other projects which it may acquire or to fulfil its contractual obligations under applicable agreements. Although the Company has been successful in obtaining financing through the sale of equity securities there is no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or postponement of further exploration and development on the Company's current property interests or those property interests which the Company may acquire. The failure to obtain additional funding as required may also result in the possible dilution or loss of the Company's interest in its current properties or other property interests or expose the Company to litigation and liability for failure to meet its contractual commitments under applicable agreements.

It may be necessary or desirable for the Company to enter into a joint venture, operating or other form of partnership arrangement with an established and experienced mine operator in order to fully exploit any mineral deposit which may be ultimately developed at its properties or any other property interest which the Company acquires. There is no assurance that the Company will be able to enter into such an arrangement or whether any such arrangement will be on favourable terms to the Company or whether such arrangement will not result in significant dilution to the Company.

## **Attraction and Retention of Key Employees**

The success of the Company may depend to a significant extent on certain key directors or employees. The loss of one or more of the key directors or employees may have an adverse effect on the Company.

## **Conflicts of Interest**

The directors and officers of the Company may serve as directors or officers of other resource companies or have significant shareholdings in other resource companies. Situations may arise in connection with potential acquisitions and investments where the other interests of these directors or officers may conflict with the interests of the Company. The Directors will primarily consider the degree of risk to which the Company may be exposed and its financial position and resources at that time in determining whether the Company will participate in a particular programme or acquisition and the interest to be acquired by it.

## **Foreign Exchange Rates**

The Company operates in a number of countries and accordingly, the Company is subject to fluctuations in foreign exchange rates. Such fluctuations may cause fluctuations in the Company's financial results which are not necessarily related to the Company's underlying operations. There is no assurance that foreign exchange rate fluctuations may not render certain operations or projects uneconomic or expose the Company to significant additional costs.

### **Market Information and Volatility**

The market price of the Ordinary Shares may not reflect the underlying value of the Group's net assets or profits. The share prices of public companies are often subject to significant fluctuations. Following Admission, the market price of the Ordinary Shares may be volatile.

### **Nature of AIM**

It may be difficult for an investor to sell his or her Ordinary Shares and he or she may receive less than the amount paid for them. The Ordinary Shares may not be suitable for short-term investment. Investment in shares traded on AIM often carries a higher degree of risk than an investment in shares quoted on the Official List. The Ordinary Shares will not be quoted on the Official List.

**The investment described in this document may not be suitable for all those who receive it. Before making a final decision, investors in any doubt are advised to consult an investment adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.**

## PART III

### INDEPENDENT GEOLOGISTS' REPORT ON THE COMPANY'S PROJECTS

20 April 2004

VANE Holdings plc  
2 Park Lane  
Leeds  
LS3 1ES

Seymour Pierce Limited  
Bucklersbury House  
3 Queen Victoria Street  
London  
EC4N 8EL

Dear Sirs

#### **Independent Geologists' Report Diablito and Guadalcazar Projects**

#### **1.0 INTRODUCTION**

##### **1.1 Purpose of Report**

This report has been prepared by Pincock, Allen & Holt ("PAH") as an Independent Geologist's Report for inclusion in the AIM admission document of VANE Holdings Plc ("Company"). PAH was instructed by the Company and Seymour Pierce Limited to conduct an independent technical review ("ITR") of two exploration properties in Mexico.

PAH has conducted its ITR in recognition of the requirements of the "Code for Reporting of Mineral Exploration Results, Mineral Resources and Mineral Reserves" ("The Reporting Code"), developed by the Institution of Mining and Metallurgy ("IMM") in conjunction with the European Federation of Geologists ("EFG") and the Institute of Geologists of Ireland ("IGI") in October 2001. The Reporting Code establishes the nature of evidence required to ensure compliance with the Reporting Code. The review was conducted with regard to the Reporting Code because it is internationally recognized. In this report, all resource estimates are reported in accordance with the Reporting Code and have been substantiated by evidence obtained from our site visits and observation and are supported by details of drilling results, analyses and other evidence and takes account of all relevant information supplied to us by the Directors and employees of the Company. In this report no reserve estimates are reported.

The assets of the Company that include resources not yet converted to reserves, have not been valued.

##### **1.2 Capability and Independence**

This report was prepared on behalf of PAH by the signatories to this letter, details of whose qualifications and experience are set out in Appendix A to this report.

PAH operates as an independent consultant providing resource evaluation, mining engineering and mine valuation services to the resources and financial services industry.

PAH has been paid and has agreed to be paid, professional fees for its preparation of this report. However, none of PAH or its directors or staff who contributed to this report has any interest in:

- The Company; or
- The outcome of the share placing.

### 1.3 Scope of Work/Materiality/Limitations and Exclusions

PAH reviewed the Relevant Assets in accordance with the scope of work and exclusions and limitations and on the basis of the materiality criteria set out in Appendix B to this report.

PAH has independently assessed the Relevant Assets by reviewing pertinent data, including that relating to resources. All opinions, findings and conclusions expressed in this report are those of PAH.

### 1.4 Inherent Exploration and Mining Risks

Precious metals exploration is a high risk activity and while an experienced management team can identify and take measures to minimize these risks, there is no way to predict the success or failure of an exploration program.

Precious metals mining, and in particular underground mining, are carried out in an environment where not all events are predictable. Whilst an effective management team can, firstly, identify the known risks, and secondly, take measures to manage and mitigate these risks, there is still the possibility for unexpected and unpredictable events to occur, particularly in early stage exploration and development properties. It is not possible, therefore, to totally remove all risks or state with certainty that an event that may have a material impact on the exploration or development of a precious metal property, will not occur.

### 1.5 Glossary of Terms

Defined and technical terms used in this report are as follows:

#### *Definitions and Glossary of Technical Terms*

“AIM”	A market operated by the London Stock Exchange
“assay”	The percentage of a particular element or compound in a given sample
“contractor”	An independent operator who mines another party’s ore for that party, usually at a predetermined price
“core”	A cylindrical sample of rock obtained during core drilling
“dilution”	The contamination of ore with barren wall rock. The assay of the ore after mining is frequently lower than when sampled in place
“dip”	The angle of inclination downward that a coal bed makes with a horizontal plane
“down-dip”	Parallel to or in the general direction of the dip of the reef, stratum, vein seam or bed
“drillhole”	A circular hole made in rock, often in conjunction with a core barrel in order to obtain a core sample
“exploration”	The work involved in the intentional searching for a mineral, prospect or deposit
“fault”	A fracture in the earth, one side of which is displaced with respect to the other in any direction
“floor”	The bottom or lowermost part of an underground working
“geology”	The science dealing with the formation of the earth and mineral deposits

“grade”	The quality of an ore, alloy or metal, usually expressed as a percentage of the primary element
“hanging wall”	The wall or rock on the upper side of the inclined orebody (the roof)
“igneous”	Originating from a molten state
“Indicated Resources”	The resources for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence
“Inferred Resources”	A mineral resource inferred from geoscientific evidence, drill holes, underground openings or other sampling procedures where the lack of data is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability
“lease”	Contract between two parties enabling one to search for and/or produce minerals from the other's property
“London Stock Exchange”	London Stock Exchange plc
“Measured Resources”	The resources for which tonnage, densities, shape, physical characteristics, grade, and mineral content can be estimated with a high level of confidence
“mineralization”	Material containing the target mineral
“opt”	Troy ounces per ton
“ore”	A mineral or mineral aggregate containing precious or useful minerals in such quantities, grade, and chemical combination to make extraction commercially profitable
“ounces”	English troy ounces equivalent to 31.1035 grams
“outcrop”	The edge or surface of a mineral deposit or sedimentary bed, which appears upon the surface
“overburden”	The alluvium, soil and rock that must be removed in order to expose an ore deposit
“pillar”	A portion of a metal or coal deposit left in place in an underground mine to provide support for the roof
“plant”	Fixed or moveable equipment required in the process of winning or processing the ore
“£,” “pence,” “Sterling” or “pounds sterling”	The lawful currency of the United Kingdom
“pre-feasibility study”	A study with an overall accuracy of +/- 25%
“Reporting Code”	Code for Reporting of Mineral Exploration Results, Mineral Resources and Mineral Reserves, developed by the Institution of Mining and Metallurgy (“IMM”) in conjunction with the European Federation of Geologists (“EFG”) and the Institute of Geologists of Ireland (“IGI”) in October 2001. The Reporting Code establishes the nature of evidence required to ensure compliance with the Reporting Code.

“reserves”	Those parts of mineral resources for which sufficient information is available to enable detailed or conceptual mine planning and for which such planning has been undertaken. Reserves are classified as either proved or probable
“rights” or “surface rights”	The ownership of the surface land under which minerals occur
“roof”	The overhead part of an underground mine working
“room”	The excavated tunnel between the pillars in the underground mine workings
“royalty”	A share of the product or profit reserved by the owner for permitting another to exploit the property
“shaft”	A vertical or inclined excavation, commonly from the surface, or limited cross-sectional area compared to its depth. It is used for mining, draining water, ventilation, lowering and hoisting men, product and waste and lowering materials
“stockpile”	An accumulation of ore or mineral
“stoping”	The act of excavating ore either above or below a set level, in a series of steps in an underground mine
“ton”	Short ton equivalent to 2,000 pounds
“tonnage”	Number of tons
“United Kingdom” or “UK”	The United Kingdom of Great Britain and Northern Ireland
“United States” or “US”	The United States of America, its possessions and territories, any state of the United States of America and the District of Columbia
“US\$” or US dollar”	The lawful currency of the United States
“VANE”	VANE Holdings Plc and its subsidiaries and affiliates or, as the context requires, any subsidiary or affiliate thereof
“waste”	Rock lacking sufficient grade and/or other characteristics or ore to be economic

## 2.0 OVERVIEW

### 2.1 Description of Assets

The VANE exploration gold and silver assets are located in Mexico and are comprised of the following (Table 2-1).

**Table 2-1 Summary of Relevant Assets**

<i>Asset Name</i>	<i>Interest (%)</i>	<i>Status</i>	<i>Asset Type</i>
Diablito, Mexico	100	Exploration	Mineral Resources
Guadalcazar, Mexico	100	Initial Exploration	Mineral Rights

Figures 2-1 and 2-2 show the locations of the Diablito and Guadalcazar projects in Mexico, respectively.

#### 2.1.1 Diablito Project

The Diablito project consists of a quartz vein and structural zone containing high values of gold and silver with minor amounts of base metals (copper, lead and zinc), located in the State of Nayarit in West-Central Mexico. The property consists of the Diablito claims that cover about 429 hectares of mineral rights.



### **2.1.2 Guadalcazar Project**

The Guadalcazar prospect is an early-stage exploration project consisting of a large, newly recognized, under-explored hydrothermal gold system located in the state of San Luis Potosi in East-Central Mexico. The Company controls the mineral rights covering a total area of about 2,924 hectares.

## **2.2 Summary of Geology**

### **2.2.1 Diablito Project**

The Diablito project lies within a belt of precious metal deposits that extends for about 350 km along the west coast of Mexico. The Diablito vein occupies a south-dipping low to moderate angle structure that separates light colored crystal lithic tuffs in the hanging wall from much darker andesite porphyry in the footwall. Subsidiary faults in the hanging wall of the Diablito vein have produced a stacked assemblage of low angle structures having favorable mineralization and alteration. The hanging wall rocks are in some places intensely silicified indicating alteration by a hydrothermal system situated above the zone including the Diablito vein. The footwall rocks are intensely iron stained and display locally developed epidote but are not silicified.

### **2.2.2 Guadalcazar Project**

The oldest rocks in the Guadalcazar district are limestones of Cretaceous age. The limestones were intruded by the San Cristobal granite of probable Oligocene age and have been extensively brecciated. A number of base and precious metal prospects occur at or near the limestone-granite contact. The limestone is characterized by karst topography with caves, sinkholes and underground drainage. The largest sinkhole includes the village of Guadalcazar and the Company mineral claims. The sinkhole is filled with a granular volcanic tuff formed partly as an air fall and partly as a water laid deposit. Because of its granular nature and friable character this tuff was believed by early workers to be an alluvial feature containing metal values of placer origin. The tuff at the surface is exposed over an area 6,000 meters by 800 meters, is hydrothermally altered and carries widespread and consistently anomalous values of gold, silver, tin and mercury. The tendency of hydrothermal fluids to migrate vertically strongly suggests that the underlying limestones may also show the effects of the rising solutions. Because of their reactivity, limestones typically provide a favorable host for mineralization. The limestone-tuff contact will therefore be of particular interest as the drilling phase of exploration progresses.

Younger alluvial material overlies the tuff unit on the south and is locally observed in dry washes cutting across the tuff. This younger alluvial material carries small amounts of metals that were eroded from the tuff unit and surrounding brecciated limestone and transported down slope to their present location.

## **2.3 Summary of Resources**

### **2.3.1 Diablito Project**

Mineral Resources in this report were classified as Measured, Indicated and Inferred according to the degree of geologic sampling and the level of confidence in the resulting geologic interpretation. Mineral Resources were estimated within discrete resource blocks, on the basis of resource classification, geological and surficial limits. In general, Measured Resources are supported by data points of observation close enough to support a high level of confidence in the resulting estimate. No Mineral Resources at Diablito are currently of the Measured category. Indicated Resources are of a lesser level of confidence, supported by a lesser number of points of observation. Inferred Resources, characterized by a lower level of confidence, were typically supported by more widely spaced data points.

Reporting Code compliant Resource estimates were prepared for Diablito by officers of the Company, after assessment of the tonnage and assay grades based on points of observation and knowledge available for the site. Points of observation such as drill core holes, outcrops, geological mapping of the deposits and old mine workings and other data derived from surveys provide the basis for the Resource estimates. The quality control procedures utilized in the determination of the Mineral Resources generally comply with the Reporting Code requirements. PAH has reviewed the reported Mineral Resources, but did not conduct a detailed audit, rather relied on the Company's reports. PAH is satisfied that the resources generated are Reporting Code compliant. Mineral Resources were estimated by the Company as of March 15, 2004. The Diablito Mineral Resources are summarized in Table 2-2.

No Mineral Reserves currently exist at Diablito.

**Table 2-2 Summary of Mineral Resource**

<i>Project</i>	<i>Indicated</i>			<i>Inferred</i>		
	<i>tons</i>	<i>Au (opt)</i>	<i>Ag (opt)</i>	<i>tons</i>	<i>Au (opt)</i>	<i>Ag (opt)</i>
Diablito, Mexico	26,700	0.502	53.55	75,000	0.502	53.55
Guadalcazar, Mexico	–	–	–	–	–	–
Total Resource	<u>26,700</u>	<u>0.502</u>	<u>53.55</u>	<u>75,000</u>	<u>0.502</u>	<u>53.55</u>

**2.3.2 Guadalcazar Project**

Mineral Resources do not currently exist at Guadalcazar. The information available is insufficient for Resource estimation on this early-stage exploration property.

**2.4 Mines, Projects and Process Facilities****2.4.1 Diablito Project**

No operating mines or processing facilities exist on the property. A small mine was opened in the 1960's on a portion of the Diablito vein. Reportedly, about 3,000 tons were extracted at a grade of 650 ounces of silver per ton and 0.5 to 3 ounces of gold per ton. No accurate production records exist, however.

**2.4.2 Guadalcazar Project**

No operating mines or processing facilities exist on the property.

**2.5 Environmental Issues and Management****2.5.1 Diablito Project**

No serious environmental issues were identified during the site visit. The small old mine workings are open and still accessible except when flooded. The Company appears to enjoy excellent relations with the local community.

**2.5.2 Guadalcazar Project**

No serious environmental issues were identified during the site visit. The Guadalcazar area is located within a "mining allowed" exception zone within a larger land preservation area called "Biosphere." The Company relations with the local communities appear to be excellent. The availability of fresh water may be an issue if important amounts of water are needed for future exploration, development or eventual operations.

**2.6 Statutory Authorizations**

PAH believes that the Company has the legal rights to the mineral concessions. Mineral rights at both projects are held through exploration licenses. Agreements providing for access and surface use during exploration are presently in place with surface owners. Under Mexican law mining takes precedence over surface land use but also requires compensation to surface owners for mining activity. PAH notes that this review does not constitute a legal title search.

**2.6.1 Diablito Project**

Mineral rights are held through exploration licenses granted by the Mexican authorities. The property is covered by the Diablito and Diablo claims, title numbers 20046–20049, 220586–200589 and 221193–221194 containing about 429 Hectares. Most of the Diablito vein outcrop and down dip vein projections are covered by the Company's claims except for a small area (about 100 by 100 meters) along the vein outcrop projection to the West. A summary of the exploration licenses is shown in Table 2-3.

**Table 2-3 Diablito Project Exploration Licenses**

<i>Claim Name</i>	<i>File Number</i>	<i>Subdivision</i>	<i>Title No.</i>	<i>Hectares</i>
First Diablito	6723	Frac I	220046	30.95
	6723	Frac II	220047	1.64
	6723	Frac III	220048	0.48
	6723	Frac IV	220049	0.34
Second Diablito	6726	Frac I	220586	8.00
	6726	Frac II	220587	2.93
	6726	Frac III	220588	4.06
	6726	Frac IV	220589	137.84
El Diablo		Frac I	221194	26.39
		Frac II	221193	216.07
Total				<u>428.70</u>

**2.6.2 Guadalcazar Project**

Mineral rights are held through a combination of exploration licenses (3) granted by the Mexican government and an option agreement with Minera Apolo S.A. de C.V. (Apolo) covering six claims in the Guadalcazar district. The Company controls a total area of about 2,924 Hectares. The option agreement with Apolo includes payments due in June 2004 (US\$200,000), June 2005 (US\$300,000), and by June 2006 the Company must purchase the claims or terminate the contract.

Purchase price is US\$5 million in cash plus a 1 per cent. Net Smelter Royalty (NSR) with a minimum payment of US\$500,000 per year until an additional US\$5 million has been paid after which the 1 per cent. NSR royalty applies to all future production. A summary of the exploration licenses is shown in Table 2-4.

**Table 2-4 Guadalcazar Project Exploration Licenses**

<i>Claim Name</i>	<i>Subdivision</i>	<i>Title No.</i>	<i>Hectares</i>
El Tigre		211950	564.91
El Tigre II		212563	185.48
Kat	Frac I & II	206146 & 220049	1500
Lina I		220885	66
Santa Cruz		211535	150
El As		214483	32.22
Conejo		210693	43
Lina I	Frac I & II	221410 & 221411	151.88
Chiyo		221317	230.23
Total			<u>2,923.72</u>

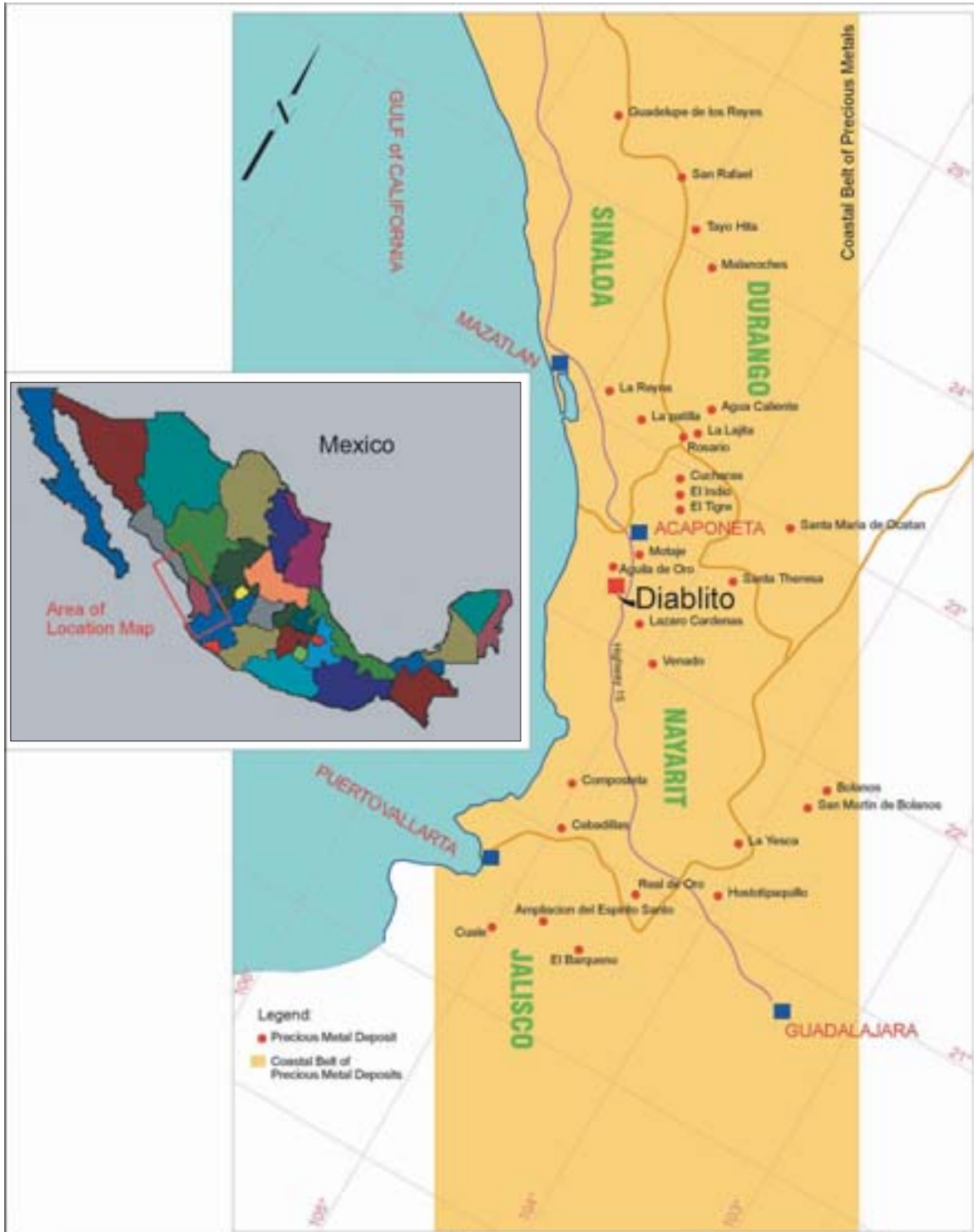
**2.7 Conclusions****2.7.1 Diablito Project**


- The Diablito project is an advanced-stage exploration property with very good potential for development of a small mining operation.
- The Diablito vein structure shows good potential for developing and expanding a small resource base into a small mine operation.
- The narrow (about 1 to 3 meters) vein exposed in old workings and prospects, and intersected in core holes drilled by the Company indicates good geologic continuity both along strike and down dip.

- The gold and silver grades intersected by core holes and returned by chip samples taken on prospect pits and old underground workings, indicate a fairly continuous but highly variable grade distribution throughout the vein structure which is typical of narrow high grade precious metal vein systems.
- The areas of high gold and/or silver grades included in the stated resource estimate are indicated by some of the drill hole intercepts. Their lateral extents will be more adequately quantified by the program of closely-spaced drill holes and underground exploration planned as the next step in development of the Diablito property.

### **2.7.2 Guadalcazar Project**

- The Guadalcazar prospect is at an early stage of exploration with no Mineral Resources defined. However, the geologic setting, VANE's extensive property position, the large area (6,000m x 800m) of anomalous precious metal mineralization and the virtual absence of previous exploration activity combine to offer a very good opportunity to define a large gold deposit.
- Further exploration, geologic mapping and grid sampling, of the tuff outcrops may define areas of interest either at surface, within the tuff unit itself, or possibly along the contact between the tuff and the limestones where a higher concentration of gold may be present. If that proves to be the case, more detailed work will be necessary in such areas to evaluate the existence of a mineral resource and its eventual economic viability. In addition, hydrothermal precious metal systems are typically zoned both laterally and vertically and require conduits for the introduction of precious metal solutions into the tuff. Therefore gold mineralization may not be limited to near-surface erosion channels, as is the case with alluvial deposits. On the contrary, the usual receptive character of limestone to hydrothermal mineralization could make the limestone-tuff contact at depth the most favorable part of the Guadalcazar mineral system. Consequently the Company will explore the area via geologic and geophysical surveys designed to identify mineralized feeder zones or conduits within and/or below the tuff to define specific drilling targets.

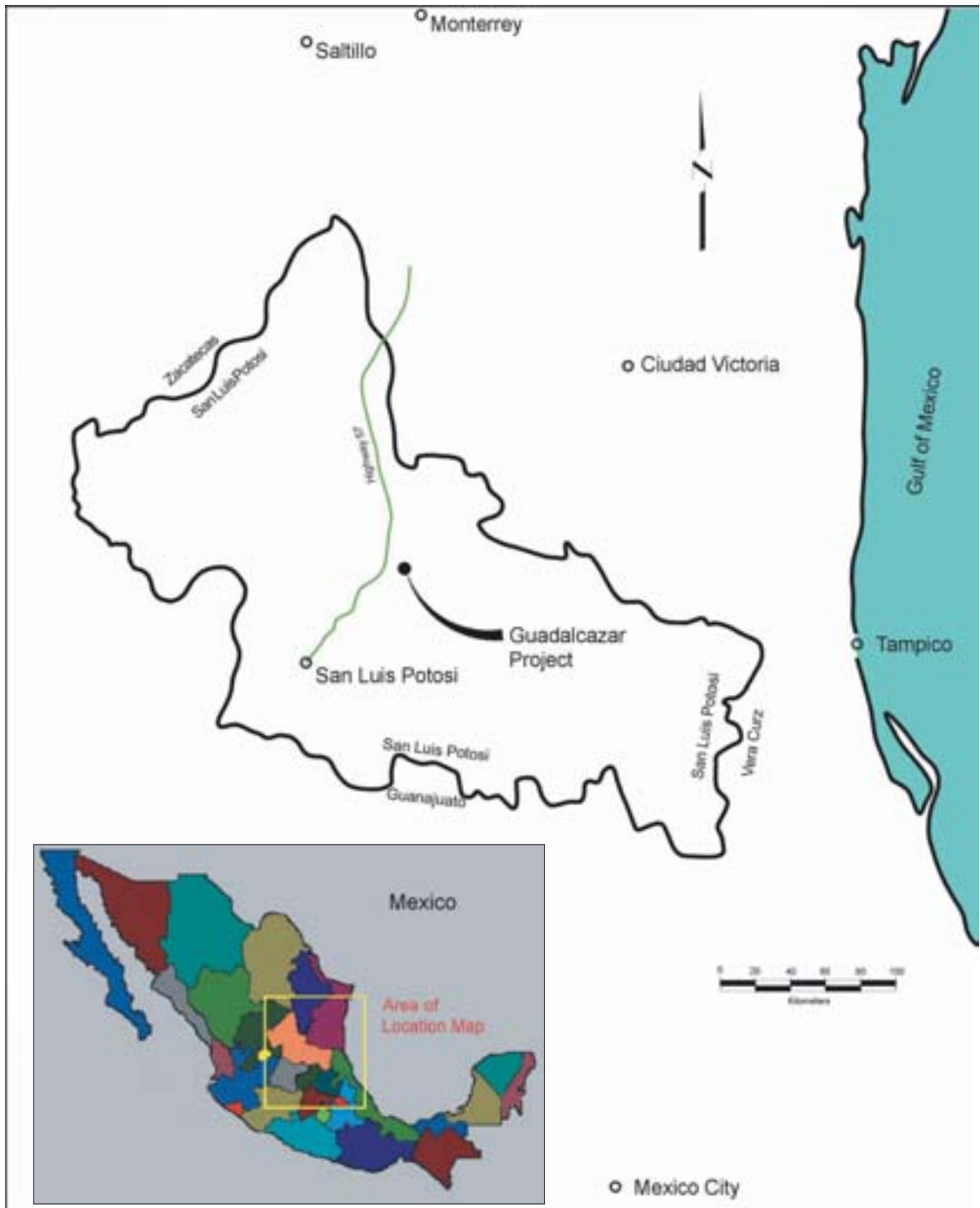


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 Project No. 9387.00


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FIGURE 2-1  
 GENERAL LOCATION OF THE  
 DIABLITO PROJECT

Date of Issue  
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 Drawing Name  
 Fig2-1.dwg



**FIGURE 2-2  
GENERAL LOCATION OF THE  
GUADALCAZAR PROJECT**

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 Independent Geologists' Report

Date of Issue  
 April/2004  
 Drawing Name  
 Fig2-2.dwg

Project No. **9387.00**

### 3.0 SUMMARY OF PROPERTIES

The Company's properties include an advanced stage exploration project (Diablito), and an early stage exploration project (Guadalcazar).

#### 3.1 Diablito Project

The Diablito project consists of a quartz vein and structural zone containing high values of gold and silver with minor amounts of base metals (copper, lead and zinc). The project is located in Nayarit State, Mexico, about 170 km south of Mazatlan at about 50 meters above sea level (asl) elevation. The project area is accessible via national highway 15 to a turnoff located 17 km south of the town of Acaponeta; then following an unpaved road 13 km South to the village of Las Lumbres. The vein and workings are approximately 500 m East of Las Lumbres and are easily accessible via unpaved road.

##### 3.1.1 Geological Characteristics

The Diablito project lies within a belt of volcanic-hosted precious metal deposits that extends for about 350 km along the west coast of Mexico. The Diablito vein occupies a south-dipping low to moderate angle structure that separates light colored crystal lithic tuffs in the hanging wall from much darker andesite porphyry in the footwall. Subsidiary faults in the hanging wall of the Diablito vein have produced a stacked assemblage of low angle structures having favorable mineralization and alteration. The hanging wall rocks are in some places intensely silicified indicating alteration by a hydrothermal system situated above the zone including the Diablito vein. The footwall rocks are intensely iron stained with locally developed epidote but are not silicified.

Cerro Colorado (Red Hill) is a prominent color anomaly with hematitic alteration associated with a rhyolite intrusion within the Diablito claim block. Also situated within the boundaries of the Diablito claim is a system of northwest trending quartz veins. Precious metal occurrences in close proximity to Diablito include the La Serena vein about 500 m north of Diablito as well as several small prospect pits about 2 km north of Diablito.

##### 3.1.2 Maps and Plans

Figure 3-1 shows the geologic map of the project and adjacent areas. Figure 3-2 shows the exploration tenement locations. Figure 3-3 shows the VANE Minerals drill core hole locations, the surface outcrop of the Diablito vein and old underground workings. Figure 3-4 shows a geologic cross section looking Northeast of drill hole 09-01 relative to the old underground workings.

##### 3.1.3 Resource Statement

Mineral Resources were estimated using a polygonal method drawing polygons on planview around the best drill core hole intercepts with the Diablito vein and along the down dip projection of the vein outcrops and old workings' vein exposures. The deposit was sampled by diamond core drilling. Core holes were contracted by the Company and drilled by B.D.W. International Drilling of Mexico S.A. de C.V. during September 2003.

**Table 3-1 Diablito Mineral Resources**

<i>Project</i>	<i>Category</i>	<i>tons</i>	<i>Au Grade</i> <i>(opt)</i>	<i>Contained Au</i> <i>(Ounces)</i>	<i>Ag Grade</i> <i>(opt)</i>	<i>Contained Ag</i> <i>(Ounces)</i>
Diablito, Mexico	Indicated	26,700	0.502	13,400	53.55	1,430,000
	Inferred	75,000	0.502	37,600	53.55	4,000,000

The Mineral Resources for Diablito are based on data derived from 16 drill holes totaling 882 meters in length of which 189 meters were sampled and assayed. Once the sample intervals were selected the core was split longitudinally in half using a diamond saw, then one half was further split in half; one quarter was bagged and shipped to Actlabs, a commercial laboratory in Tucson, Arizona, for assaying. The remaining core was boxed and stored in a secured place. Only three drill holes met the cutoff grade criteria set out by the Company and hence indicated resource blocks were estimated around said holes. An average vein width of 2 meters and an average density of 2.65 grams/cubic centimeter were used. Inferred resource blocks were projected down dip from the indicated blocks and from vein outcrops. A factor of 50 per cent. was applied to the inferred blocks tonnage to account for the proportion of high-grade material that can

reasonably be expected to exist within these blocks. The overall average grade of the indicated blocks was assigned to the inferred resource estimate. At this time, the Diablito resource is limited by the geometry of the drill pattern. Mineralization is open both down dip and along strike; thus, offering good potential for development of additional resources.

PAH believes that the density of sampling and quality control procedures are suitable for Mineral Resource determination. PAH believes the resource models estimated by the Company are reasonable.

#### **3.1.4 Long Term Prospects**

There is good potential for extending the Mineral Resources both down dip and along strike of the Diablito vein especially to the East. Potential also exist for the development of an underground operation and possibly a small surface operation along the outcrop of the Diablito vein. Prospect pits and chip samples taken from outcrops indicate good potential for a small surface resource and possibly a small surface operation along the outcrop of the Diablito vein especially along strike to the east.

The Company is proposing to develop a small underground mining operation starting with about 70 tons/week by January 2005, ramping up and targeting to mine about 50 tons/day of high-grade ore by November 2005 to directly ship to a smelter in Mexico. The Company has developed a conceptual plan to achieve this objective. The Company estimates expenditures for developing the Diablito mine at about US\$1.7 million including a 20 per cent. contingency. PAH has briefly reviewed the mine development expenditures and finds them reasonable. PAH has also briefly reviewed the Company's conceptual plans and finds them to be optimistic yet achievable if resource definition drilling, mine plans, permitting and construction are aggressively pursued within the time frame envisioned by the Company. PAH also notes that other mining alternatives including open pit and a combination of open pit/underground extraction are being evaluated. Also under consideration is the possibility of on-site beneficiation of milling-grade ore. A feasibility or at least a pre-feasibility level study is anticipated by the Company prior to a final decision regarding the direction of mine development and/or construction.

#### **3.1.5 Mining and Ore Processing**

Although previously active on a small scale there is currently no mining or ore processing in the project area.

In the late 1960s a small mine was opened on a portion of the Diablito vein. The workings consisted of a glory hole, a main adit and two drifts developed down dip on the vein and connected to the main adit by three winzes. These old workings are still open and accessible unless flooded. The material extracted from the main adit appears to have amounted to about 3,000 tons and is reported to have contained 650 ounces of silver and 0.5 to 3 ounces of gold per ton and to have been directly shipped to a smelter in Mexico. Also, a caved shaft collar and crumbled wall of a hoist house was discovered nearby approximately 110 meters west of the main adit. Local residents report that this shaft was bottomed at a depth of about 5 meters having failed to intersect the vein. In addition, five holes were drilled in the area of the workings and along the strike of the vein in the early 1970s. Three of these holes intersected strong mineralization and were instrumental in attracting the Company to the Diablito area.

#### **3.1.6 Environmental**

The area is located very near the Tropic of Cancer near the Atlantic Ocean at about 50 meters above sea level elevation and hence is characterized by tropical weather with abundant rains in the summer and somewhat dry winters. The annual average temperatures are a maximum of 28.4 °C and a minimum of 13.6 °C. The area is characterized by lush vegetation, especially in the summer, with large trees and bushes.

No serious environmental issues were identified during the PAH site visit. The Company appears to enjoy excellent relations with the local community. The Company is currently operating under an exploration permit that allows mining on a small scale and is starting the process of applying for an exploitation permit.

### **3.2 Guadalcazar Project**

The Guadalcazar project is an early stage exploration property consisting of a recently recognized hydrothermal gold system located in the State of San Luis Potosi in East-Central Mexico. The project area is located near the geographic center of Mexico approximately 80 km Northeast of the city of San Luis



Potosi, the capital of the State of San Luis Potosi, and immediately North of the village of Guadalcazar. Paved roads that connect Guadalcazar and the capital provide easy access.

### **3.2.1 Geological Characteristics**

The oldest rocks in the Guadalcazar district are limestones of Cretaceous age. These rocks were intruded by the San Cristobal granite of probable Oligocene age and have been extensively brecciated. A number of base and precious metal prospects occur at or near the limestone-granite contact. The limestone of the district is characterized by karst topography characterized by caves, sinkholes and underground drainage. The largest sinkhole includes the village of Guadalcazar and the Company mineral claims. The sinkhole is filled with a granular volcanic tuff formed partly as an air fall and partly as a water laid deposit. Because of its granular nature and friable character this tuff was believed by early workers in the 1940s to be an alluvial feature containing metal values of placer origin. The tuff is hydrothermally altered and carries strongly anomalous values of gold, silver, tin and mercury. A large block of material located near the northern tuff contact gave an average of 0.058 grams of gold per metric tonne, 0.0084 per cent. tin, 0.0015 per cent. mercury, and 9.44 grams of silver per metric ton. Younger alluvial material locally overlies the tuff unit and carries small but highly anomalous amounts of metals that were eroded from the tuff and transported down slope to their present location. Stream sediment samples have shown gold values as high as 4.13 grams per metric ton. Artisanal miners are often seen recovering gold from the younger alluvial material when water is available in the otherwise dry stream beds.

### **3.2.2 Maps and Plans**

Figure 3-5 shows the geologic map of the project and adjacent areas. Figure 3-6 shows the exploration tenement locations. Figure 3-7 shows the VANE pit sample locations.

### **3.2.3 Resource Statement**

Mineral Resources do not currently exist at Guadalcazar. The information available is insufficient for Resource estimation on this early-stage exploration property.

### **3.2.4 Long Term Prospects**

Because the area of interest is very large, the Company plans to do additional geologic mapping, geophysical surveys and grid sampling to define specific drilling targets.

The Company estimates expenditures for exploring Guadalcazar of about US\$1.1 million including payments to maintain the option agreement with the landholder of US\$200,000 in June 2004 and US\$300,000 in June 2005. PAH has briefly reviewed the exploration plan and proposed expenditures and finds them reasonable. PAH notes that the exploration plan could reasonably be scheduled to finalize before the June 2005 option payment becomes due, hence allowing the Company to make a well-informed decision whether to proceed with the project.

### **3.2.5 Mining and Ore Processing**

Several exploration campaigns led by government agencies have occurred in the area. In the 1940s the United States Geological Survey (USGS) evaluated the area describing it as an alluvial or placer deposit containing an unusual association of tin, gold, silver and mercury. The evaluation, described in the USGS Bulletin 960 published in 1948, was based on a large number of samples derived from pits that tested a large area and reported an average contained gold value of 0.058 grams per metric ton. None of the test pits penetrated the tuff while four of the 26 holes drilled prior to the 1940s encountered limestone beneath the tuff. These holes were located very close to the northern tuff-limestone contact, but because of poor core recovery, were judged unsuitable for inclusion in the resource estimate published in Bulletin 960.

In August 2003 the Company geologists collected 250-kilogram samples of tuff from 10 pits in the tuff representing the western half of the principal tuff unit. These samples were taken from pits of about 1m by 1m horizontal dimensions dug deep enough (about 2 to 4 meters deep), to penetrate the alluvium and sample the tuff from the bottom of the pits. Samples were bagged and shipped to Tucson for processing and assaying at a number of laboratories including Actlabs, Jacobs Assay Office and Mountain States Research and Development. These samples were found to contain an average of 0.13 grams of gold per metric ton. Gold values varied between 0.06 and 0.18 grams of gold per metric ton.

### 3.2.6 Environmental

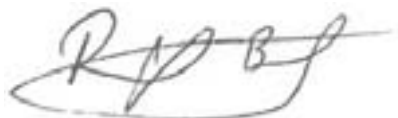
The area is located in the western desert lands of Mexico at about 1,700 meters elevation near the western slope of the Sierra Madre Oriental and to the East of the Sierra Madre Occidental mountain range within the so-called Mexican altiplano (high, flat lands). The weather is mild and dry. The vegetation is generally desert-like with cacti and small brushes although in more secluded areas pines and oak trees are found. The annual temperatures averages are a maximum of 25.7 °C. and a minimum of 10.7 °C.

No serious environmental issues were identified during the PAH site visit. The Guadalcazar area is located within a "mining allowed" exception zone within a larger land preservation area called "Biosphere." The Company relations with the local communities appear to be excellent. The availability of fresh water may be an issue if important amounts of water are needed for future exploration, development or eventual operations.

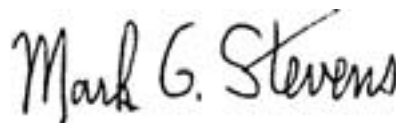
The Company is currently operating under an exploration permit granted by the Mexican government and an option agreement with Minera Apolo S.A. de C.V. (Apolo) covering nine claims in the Guadalcazar district.

Signatories follow:

Sincerely,




Raul H. Borrastero,  
Certified Professional Geologist  
Senior Geologist  
Pincock, Allen & Holt



Mark G. Stevens  
Certified Professional Geologist  
Chief Geologist  
Pincock, Allen & Holt

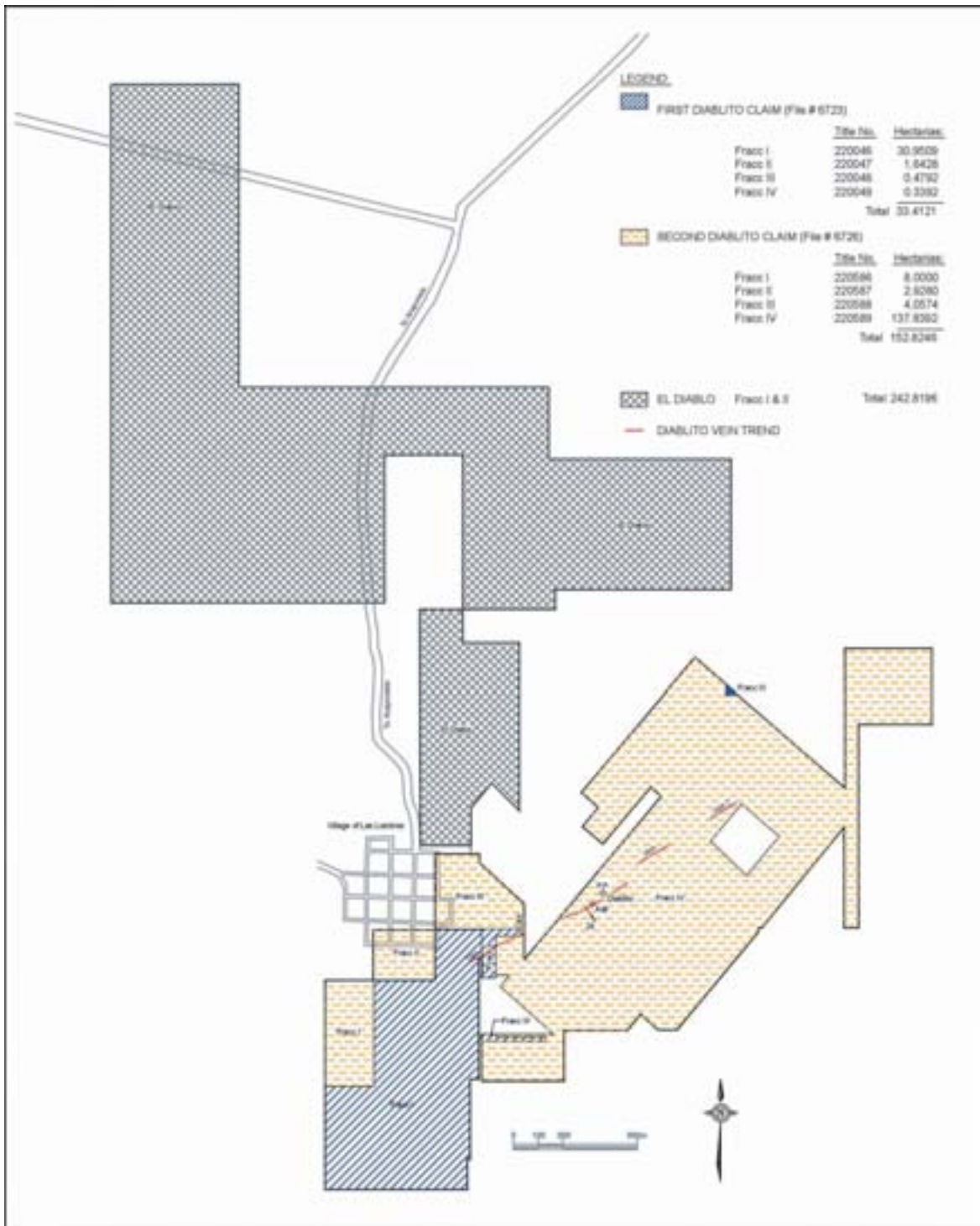



Report by  

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Drawing Provided by/Prepared for  
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**FIGURE 3-1**  
**GEOLOGIC MAP OF THE DIABLITO**  
**VEIN & LAS LUMBRES AREAS**

Date of Issue  
 April/2004  
 Drawing Name  
 Fig3-1.dwg



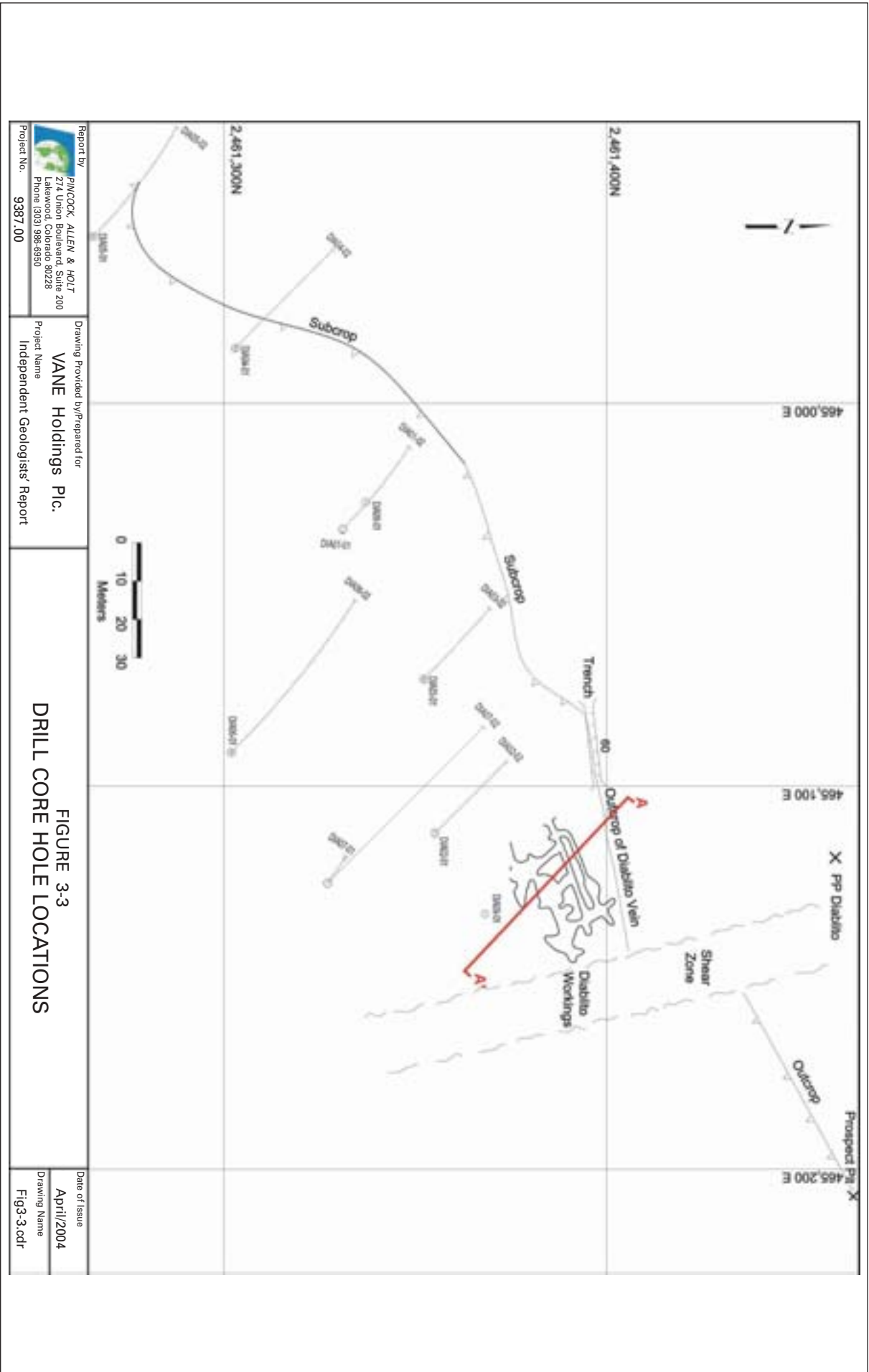
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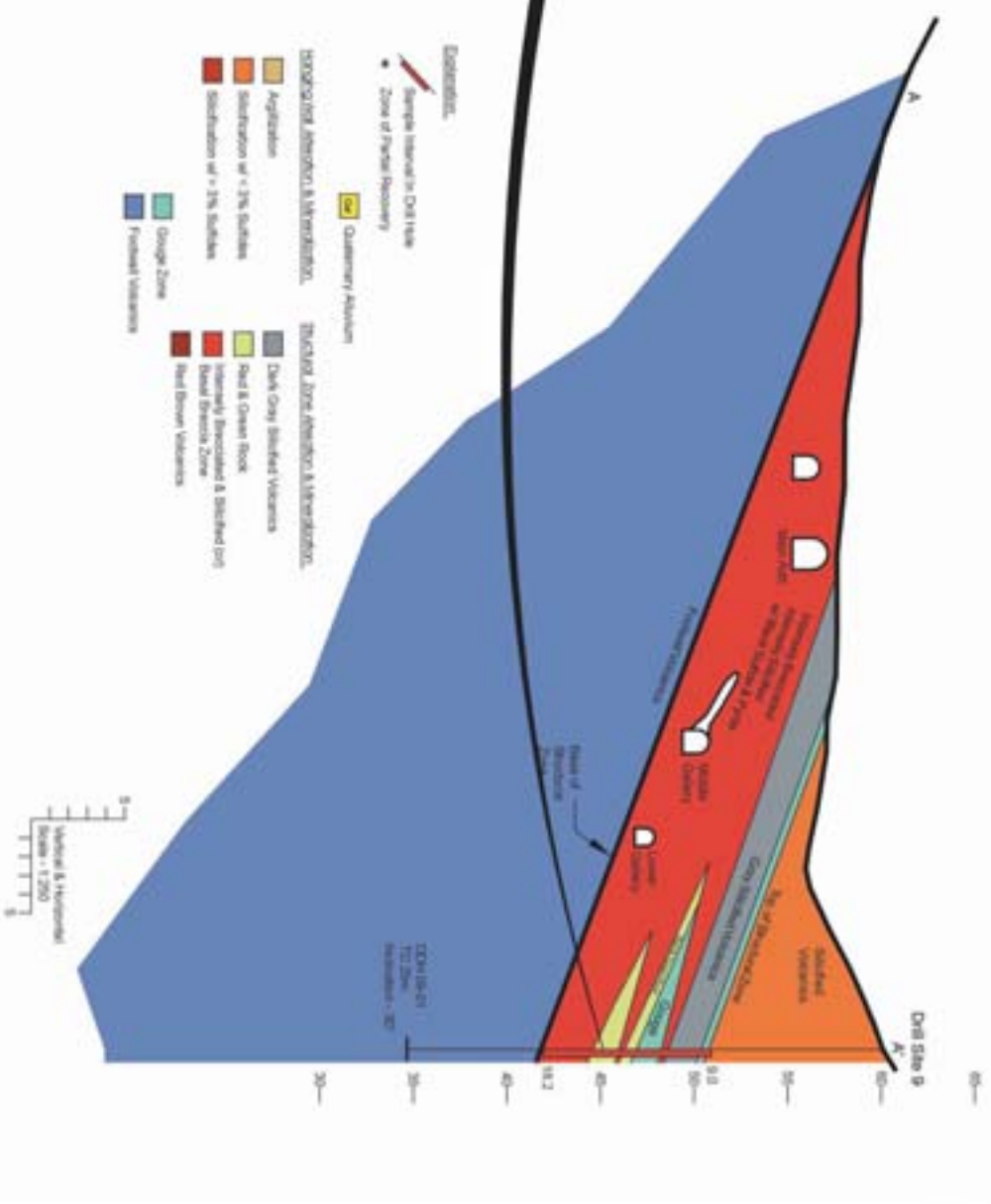
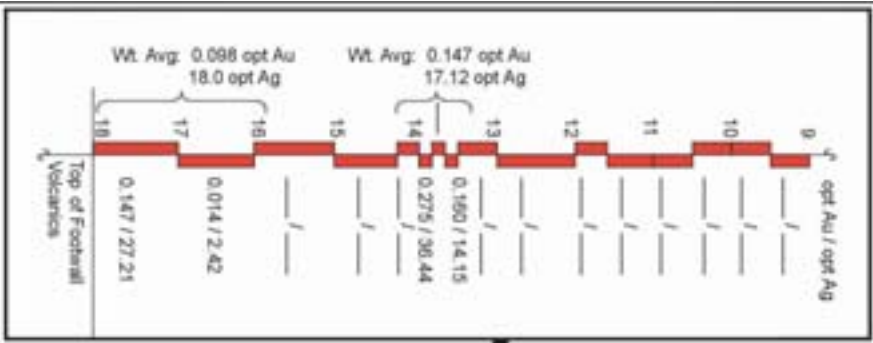
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**FIGURE 3-2**  
**DIABLITO PROPERTY MAP**

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 Fig3-2.dwg

Project No. **9387.00**





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**FIGURE 3-4**  
**DIABLO VEIN - CROSS SECTION A-A'**  
**THROUGH DRILL SITE 9 (Looking NE)**

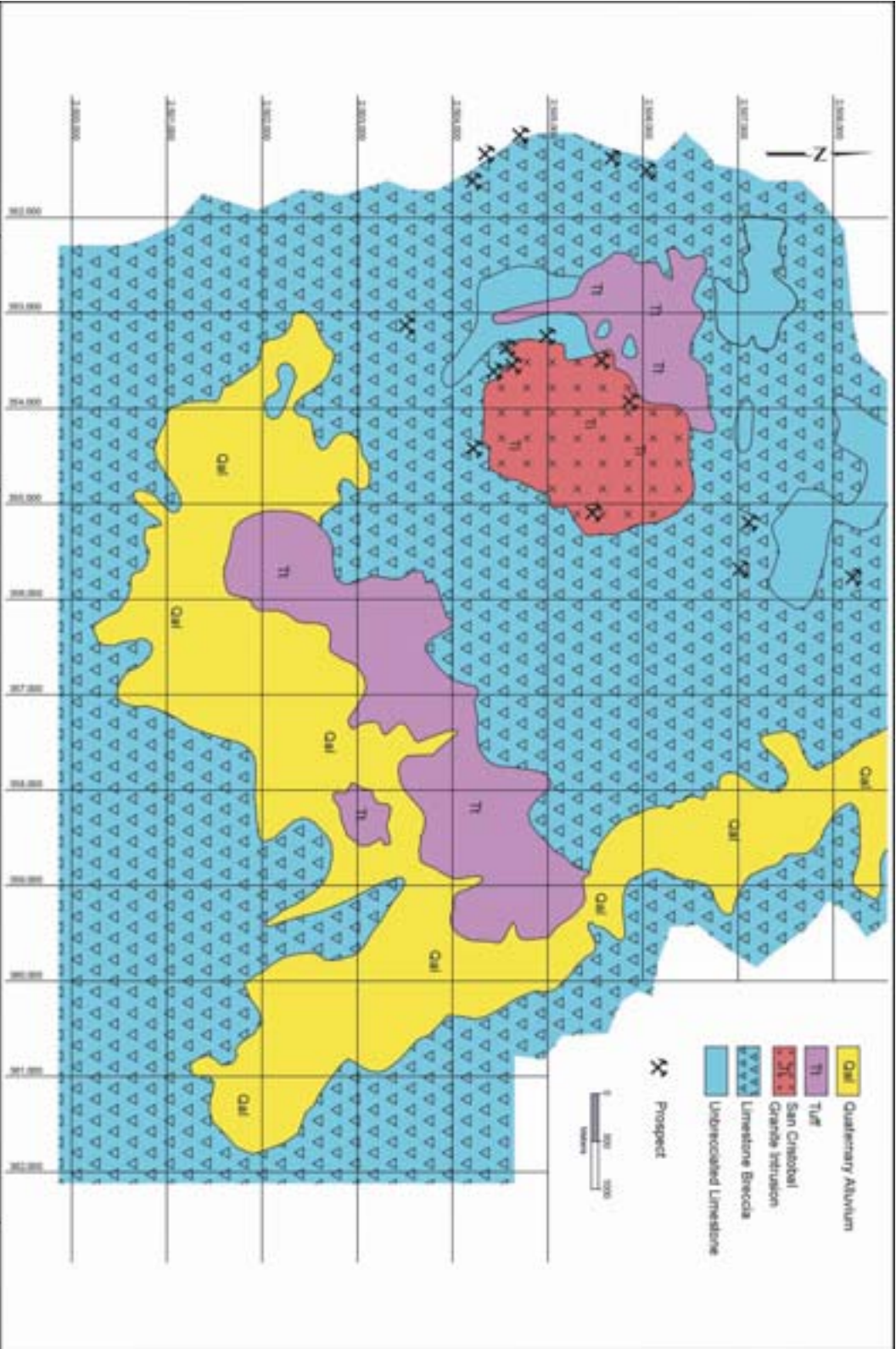
Date of Issue  
**April/2004**  
 Drawing Name  
**Figs-4.dwg**

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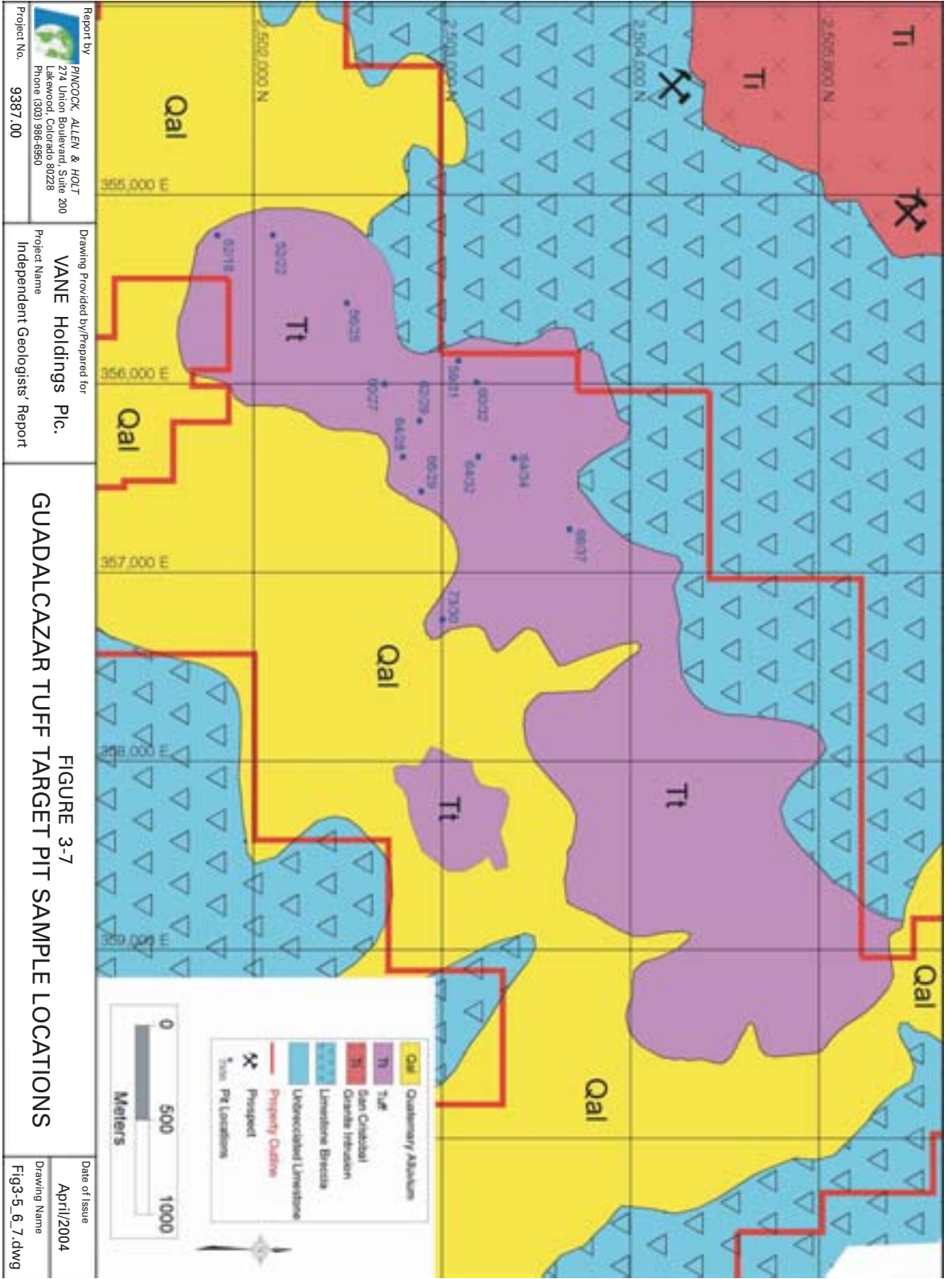
**FIGURE 3-5**  
**GUADALCAZAR GEOLOGIC MAP**


Date of Issue  
**April/2004**  
 Drawing Name  
**Fig3-5\_6\_7.dwg**









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**FIGURE 3-7**  
**GUADALCAZAR TUFF TARGET PIT SAMPLE LOCATIONS**

Date of Issue  
 April/2004  
 Drawing Name  
 Fig3-5\_6\_7.dwg

## APPENDIX A

### Qualifications and Experience

Raul H. Borrastero, C.P.G. – Senior Geologist – Master of Science, Geology; Bachelor of Science, Geology – Certified Professional Geologist; Member of Society for Mining, Metallurgy and Exploration and the American Institute of Professional Geologists.

Mr. Borrastero has expertise in the fields of geology and resource estimation. He has more than 20 years of technical and supervisory experience in the underground and open pit mining industry from exploration through mine development and production of base metals, precious metals and industrial minerals. Main areas of expertise include geologic evaluations, computerized geologic modeling and resource/reserve evaluation, data validation, statistical analysis, design and evaluation of grade control programs, mine production reconciliations, and dilution studies. Have completed several domestic and international projects for mining companies and financial institutions, including geological evaluations, resource/reserve estimation and due-diligence reviews/audits.

Mark G. Stevens, C.P.G. – Principal Geologist – Master of Science, Geology; Bachelor of Science, Geology – Certified Professional Geologist; Registered Geologist in the State of Wyoming - Member of Society for Mining, Metallurgy and Exploration and Society of Economic Geologists.

Mr. Stevens has expertise in the fields of geology and resource estimation. He has more than 23 years experience in the evaluation of base and precious metal deposits around the world, including due diligence reviews, reserve audits, technical evaluations, and prefeasibility/feasibility studies. His gold experience includes work on more than 100 mineral deposit studies. Representative precious metal projects include Rio Narcea, Spain; Florida Canyon, Nevada; Zortman-Landusky, Montana; Midas, Nevada; Bellavista, Costa Rica; Poderosa, Peru; Briggs, California; Mineral Ridge, Nevada; Goldstrike, Nevada; La Cienega, Mexico; Mezcala, Mexico; Relief Canyon, Nevada; and Ivanhoe, Nevada.

## APPENDIX B

### Scope of Work/Limitations and Exclusions/Materiality

#### Scope of Work

PAH carried out the following scope of work for the CPR for VANE's assets located in Mexico:

- Site visits and collection of data. Mr. Raul Borrastero, a member of the PAH study team visited each of the assets and was given presentations and site tours by the Company's senior management. The site visits were carried out on March 7 – 8, 2004 to the Guadalcazar project, and March 10, 2004 to the Diablito project. PAH inspected outcrops, old underground workings, pit and drill hole sites, and core storage facilities.
- A visit to the Company's headquarters in Tucson, Arizona took place on March 12, 2004. PAH observed the organized storage of the Freeport-McMoRan's 7,000 plus file database (as hard copies and microfilm), reviewed maps and project data and discussed aspects of the two Mexican projects with the Company's Directors. A brief visit to Actlabs in Tucson to deliver samples taken from the projects by PAH was undertaken as well.
- Technical review and reporting. A technical review of each asset was undertaken by the PAH study team. The key elements of the review included:
  - Review of data suitability;
  - Geology;
  - Resources.

The CPR covered VANE's assets that are materially relevant and that, in the case of the Diablito Project, are Reporting Code compliant.

#### Limitations and Exclusions

The CPR was based mainly on information provided by VANE. The report is based on information made available to PAH before March 22, 2004.

Source information and Basis of Preparation: in preparing this report PAH has relied in part on information supplied by VANE. In preparing this report, PAH has exercised its professional judgment, which in certain cases has resulted in it forming a view that may differ from that of the Company. PAH has not received any confirmation from VANE management regarding the accuracy or completeness of the information supplied by VANE, but PAH has no reason to believe that the information so supplied is not materially accurate or complete.

The work undertaken for this report is a technical review of the information coupled with such inspections as PAH considered appropriate to prepare the CPR.

It specifically excludes all aspects of legal issues, commercial and financing matters, land titles and agreements, excepting such aspects as may directly influence technical issues.

In PAH's opinion, the information provided by the Company was reasonable and nothing discovered during the preparation of the CPR suggested that there was any significant error, misrepresentation or omission in respect of that information.

#### Materiality

The ITR has addressed significant exploration risks that are inherent to the exploration and mine development business. Risks associated with exploration projects at different stages are generally "material".

**PART IV**  
**ACCOUNTANTS' REPORT ON THE COMPANY**



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The Directors  
VANE Holdings Plc  
2 Park Lane  
Leeds  
LS3 1ES

and

The Directors  
Seymour Pierce Limited  
Bucklersbury House  
3 Queen Victoria Street  
London  
EC4N 8EL

26 May 2004

Dear Sirs

**VANE HOLDINGS PLC (“the Company”)**

**Introduction**

We report in connection with the proposed placing of ordinary shares of the Company (“the Placing”) and the admission of the Company’s ordinary share capital to trading on AIM. This report has been prepared for inclusion in the Prospectus dated 26 May 2004 (“the Prospectus”).

The Company was incorporated on 25 October 2002 as Hamsard 2607 Limited and changed its name to VANE Holdings Limited on 13 February 2003. It was re-registered as a public limited company under the name VANE Holdings plc on 15 January 2004.

The Company has not traded, prepared any financial statements for presentation to members, incurred neither profit nor loss, and has neither declared nor paid dividends or made any other distributions since the date of incorporation. There have been no transactions other than as described in paragraph 9 of Part VI of the Prospectus and the acquisition of the entire issued share capital of VANE Minerals Limited by the allotment of shares described below. Accordingly, no profit and loss account information is presented in this report.

**Basis of preparation**

The financial information set out below has been extracted from financial records of the Company for the period ended 31 March 2004, no adjustments being considered necessary. No audited financial statements have been prepared for submission to members in respect of any period since incorporation.

**Responsibility**

The financial records are the responsibility of the directors of the Company (“Directors”). The Directors are also responsible for the contents of the Prospectus dated 26 May 2004 in which this report is included.

It is our responsibility to compile the financial information set out below from the Company's financial records and to make a report in accordance with paragraph 45 of Schedule 1 to the Public Offers of Securities Regulations 1995. Our work has been undertaken so that we might state those matters we are required to state in our report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone for any other purpose for our work, for this report or for the opinions we have formed.

**Basis of opinion**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial records and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

**Opinion**

In our opinion, the financial information set out below gives, for the purpose of the Prospectus, a true and fair view of the state of affairs of the Company as at 31 March 2004.

**BALANCE SHEET**

	<i>Notes</i>	<i>As at 31 March 2004 £'000</i>
<b>Fixed assets</b>		
Investments	2	<u>11,246</u>
<b>Capital and reserves</b>		
Called up share capital	3	<u>11,246</u>

## NOTES TO THE FINANCIAL INFORMATION

### 1. Accounting policies

The principal accounting policies, which have been consistently applied in the Company's financial information throughout the period under review, are as follows:

#### *Basis of accounting*

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

#### *Investments*

Long term investments are described as participating interests and are classified as fixed assets. Short term investments are classified as current assets.

Unlisted investments are stated at cost.

Provision is made for any impairment in the value of fixed asset investments.

### 2. Investment in subsidiary undertakings

	<i>Shares in subsidiary undertakings £'000</i>
<b>Cost</b>	
Additions	11,246
As at 31 March 2004	<u>11,246</u>

The Company holds more than 20 per cent. of the equity of the following undertakings:

	<i>Class of holding</i>	<i>Proportion</i>	<i>Country of Incorporation</i>	<i>Nature of business</i>
VANE Minerals Limited	Ordinary	100%	England & Wales	Mining and exploration
AVEN Associates LLC	–	100%	USA	Mining and exploration
Minerales VANE SA de CV	Common	100%*	Mexico	Mining and exploration

\*0.1% directly held and 99.9% indirectly held.

As at 31 March 2004, the Company undertook impairment reviews of its investments in subsidiary undertakings, as a result of which, no provisions were required.

The Company acquired 100 per cent. of the issued share capital of VANE Minerals Limited on 23 December 2003 (note 3). This acquisition gave rise to positive goodwill of approximately £Nil as follows:

	<i>Initial book value £'000</i>	<i>Fair value adjustment £'000</i>	<i>Fair value at acquisition £'000</i>
<b>Net assets acquired:</b>			
Intangible Fixed assets			
Exploration costs and intellectual property rights	184	10,888	11,072
Current assets	330	–	330
Current liabilities	(156)	–	(156)
	<u>358</u>	<u>10,888</u>	<u>11,246</u>
Consideration settled by shares, at par value			<u>11,246</u>
Positive goodwill on acquisition			<u>–</u>

### 3. Share capital

	<i>As at</i>
	<i>31 March</i>
	<i>2004</i>
	<i>£'000</i>
Authorised:	
200,000,000 Ordinary shares of 10p each	20,000
Issued and fully paid:	
112,462,000 Ordinary shares of 10p each	11,246

The company was incorporated with an authorised share capital of £100 divided into 100 ordinary shares of £1 each of which one was issued.

On 13 February 2003, one ordinary share of £1 was issued at par for cash consideration.

On 21 October 2003 the authorised and issued share capital of the company was subdivided so each ordinary share of £1 each was sub divided into 10 ordinary shares of 10p each.

On 21 October 2003 the company's authorised share capital was increased to £20,000,000 by the creation of 199,999,000 ordinary shares of 10p each ranking *pari passu* with the existing share capital.

On 23 December 2003 112,461,980 ordinary shares of 10p each were issued at par value to acquire the entire share capital of VANE Minerals Limited.

### 4. Post Balance Sheet events

On 25 May 2004, the Company adopted a share option plan, details of which are contained in Part VI of the Prospectus in which this report is included. As at the date of this report, the Company has granted 5,600,000 options, under this share option plan.

### 5. Nature of financial information

The financial information presented above in respect of the period ended 31 March 2004 does not constitute statutory accounts.

### 6. Consent

We consent to the inclusion of this report in the Prospectus dated 26 May 2004 and accept responsibility for this report for the purposes of paragraph 45 of Schedule 1 to the Public Offers of Securities Regulations 1995.

Yours faithfully

**Baker Tilly**

*Chartered Accountants*  
*Registered Auditor*

## PART V

### ACCOUNTANTS' REPORT ON VANE MINERALS



2 Bloomsbury Street  
London WC1B 3ST  
[www.bakertilly.co.uk](http://www.bakertilly.co.uk)

The Directors  
VANE Holdings Plc  
2 Park Lane  
Leeds  
LS3 1ES

and

The Directors  
Seymour Pierce Limited  
Bucklersbury House  
3 Queen Victoria Street  
London  
EC4N 8EL

26 May 2004

Dear Sirs

#### **VANE MINERALS LIMITED (“VANE Minerals”)**

##### **Introduction**

We report in connection with the proposed placing of ordinary shares of VANE Holdings Plc (“the Company”) and the admission of the Company’s ordinary share capital to trading on AIM and this report has been prepared for inclusion in the Prospectus dated 26 May 2004 (“the Prospectus”).

##### **Basis of preparation**

No audited consolidated financial statements have been prepared for VANE Minerals for any period. The consolidated financial information set out below has been prepared specifically for inclusion in this report and is based on the accounts of VANE Minerals and its subsidiary undertakings, AVEN Associates LLC (“AVEN”) and Minerales VANE SA de CV (“Minerales VANE”) (together referred to as the “Group”) for the period from incorporation ended 30 September 2003 after making such adjustments as we consider necessary. The accounts of VANE Minerals for the period ended 30 September 2003 were audited by Baker Tilly, Chartered Accountants who gave an unqualified report thereon. The accounts for Minerales VANE for the period ended 30 September 2003 were audited by Máynez, S.C, who gave an unqualified report thereon. No audited financial statements have been prepared for AVEN for any period. No audited financial statements have been prepared for VANE Minerals or Minerales VANE in respect of any subsequent period.

VANE Minerals was incorporated on 10 April 2002 and acquired 100 per cent. of the interest of AVEN on 5 February 2003. VANE Minerals formed Minerales VANE on 13 March 2003.

No audited consolidated financial statements have previously been prepared for the Group. The consolidated cash flow statements for the Group set out below have been prepared specifically for inclusion in this report.



## **Responsibility**

The audited financial statements are the responsibility of the directors of the companies who approved their issue. The Directors of the Company are responsible for the contents of the Prospectus dated 26 May 2004 in which this report is included.

It is our responsibility to compile the financial information set out below from the Company's financial records and to make a report in accordance with paragraph 45 of Schedule 1 to the Public Offers of Securities Regulations 1995. Our work has been undertaken so that we might state those matters we are required to state in our report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone for any other purpose for our work, for this report or for the opinions we have formed.

## **Basis of opinion**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously obtained by us relating to the audit of VANE Minerals and that previously recorded by the auditors who audited Minerale VANE. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the Group circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

## **Going concern**

In forming our opinion, we have considered the adequacies of the disclosures made in this report concerning the basis on which the accounts have been prepared on a going concern basis, and in particular the fundamental accounting concept described in the Accounting Policies. Our opinion is not qualified in this respect.

## **Opinion**

In our opinion, the financial information set out below gives, for the purpose of the Prospectus, a true and fair view of the losses and cash flow of the Group for the period ended 30 September 2003 and of the state of affairs of the Group at that date.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

		<i>Period ended 30 September 2003 £'000</i>
	<i>Notes</i>	
Administrative expenses		(488)
<b>Operating loss</b>	2/3	(488)
Interest receivable and similar income	4	1
Interest payable and similar charges	5	(3)
<b>Loss on ordinary activities before taxation</b>		(490)
Taxation	6	–
<b>Loss on ordinary activities after taxation</b>		<u>(490)</u>

The operating loss derives from continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

## CONSOLIDATED BALANCE SHEET

		<i>As at 30 September 2003 £'000</i>
<b>Fixed assets</b>		
Intangible fixed assets	8	184
<b>Current assets</b>		
Debtors	10	33
Cash at bank		<u>297</u>
		330
<b>Creditors: amounts falling due within one year</b>	11	<u>(156)</u>
<b>Net current assets</b>		<u>174</u>
<b>Total assets less current liabilities</b>		<u>358</u>
<b>Capital and reserves</b>		
Called up share capital	12	112
Share premium	13	736
Profit and loss account		<u>(490)</u>
<b>Shareholders' equity funds</b>	14	<u>358</u>

## CONSOLIDATED CASH FLOW STATEMENT

		<i>Period ended</i> <i>30 September</i> <i>2003</i>
	<i>Notes</i>	<i>£'000</i>
<b>Net cash (outflow) from operating activities</b>	15A	(348)
<b>Returns on investments and servicing of finance</b>		
Interest received		1
Interest paid		(3)
		<u>          </u>
Net cash flow for returns on investments and servicing of finance		(2)
		<u>          </u>
<b>Taxation</b>		–
<b>Capital expenditure and financial investment</b>		
Purchase of intangible fixed assets		(151)
		<u>          </u>
Net cash flow for capital expenditure and servicing of finance		(153)
		<u>          </u>
<b>Cash (outflow) before use of liquid resources and financing</b>		(501)
<b>Financing</b>		
Proceeds of share issue		798
		<u>          </u>
Net cash inflow for financing		798
		<u>          </u>
<b>Increase in cash in period</b>		<u>          </u> <u>          </u> 297
		<u>          </u>
<b>Reconciliation of net cash flow to movement in net funds</b>	15B	
Increase in cash in period		297
		<u>          </u>
Movement in funds in period		297
Opening net funds		–
		<u>          </u>
Closing net funds		<u>          </u> <u>          </u> 297

## NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

### 1. Accounting policies

The principal accounting policies, which have been consistently applied in the Group's financial information throughout the period under review, are as follows:

#### ***Basis of accounting***

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

#### ***Fundamental accounting concept***

The financial information has been prepared on the basis that the fundamental accounting concept of going concern is applied.

The Company is seeking to raise approximately £3,705,000 of new equity share capital through the proposed placing of 33,681,823 ordinary shares at a price of 11 per share. The Placing is being conducted for the Company by Seymour Pierce Limited.

On the basis of the expected successful outcome of this fund raising, the going concern concept has been applied.

#### ***Intangible assets***

Expenditure including related overheads on the acquisition, exploration and evaluation of interests in licences not yet transferred to a cost pool is capitalised under intangible assets. Cost pools are established on the basis of geographic area. When it is determined that such costs will be recouped through successful development and exploitation or alternatively by sale of the interest, expenditure will be transferred to tangible assets and depreciated over the expected productive life of the asset. Whenever a project is considered no longer viable the associated exploration expenditure is written off to the profit and loss account.

Intellectual property treated as intangible assets is amortised in equal annual instalments over the period from which the company is expected to benefit.

#### ***Basis of consolidation***

The consolidated financial statements incorporate those of VANE Minerals and its subsidiary undertakings, Minerals VANE and AVEN for the period. Subsidiaries acquired during the period are consolidated using the acquisition method. Their results are incorporated from the date that control passes. The difference between the cost of acquisition of shares in subsidiaries and the fair value of the separable net assets acquired is capitalised as goodwill.

#### ***Leasing***

Rental payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

#### ***Deferred taxation***

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

### **Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into the profit and loss account for the period.

### **2. Operating loss and principal activity**

The Group's operating loss is derived from its principal activity in the evaluation and acquisition of mineral exploration targets, principally gold targets abroad, from the United Kingdom.

### **3. Operating loss**

	<i>Period ended 30 September 2003 £'000</i>
Operating loss is stated after charging/(crediting):	
Amortisation of intellectual property rights	17
Auditors' remuneration	10
Exchange losses	<u>1</u>

### **4. Interest receivable and similar income**

	<i>Period ended 30 September 2003 £'000</i>
Bank interest receivable	<u>1</u>

### **5. Interest payable and similar charges**

	<i>Period ended 30 September 2003 £'000</i>
Bank and other loan interest payable	<u>3</u>

## 6. Taxation

Period ended  
30 September  
2003  
£'000

Current tax:	
UK corporation tax on loss of the period	—
Adjustments in respect of previous periods	—
Total current tax	—
Deferred taxation:	
Origination and reversal of timing differences	—
Total deferred tax	—
Tax on loss on ordinary activities	—
Factors affecting tax charge for period:	
The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:	
Loss on ordinary activities before tax	(490)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(147)
Effects of:	
Expenses not deductible for tax purposes	19
Other adjustments	8
Losses carried forward	120
Tax charge for period	—

The Group has UK unrelieved tax losses of approximately £399,000 which, subject to agreement with the Inland Revenue, are available to carry forward and offset future taxable profits of the same trade.

A deferred tax asset of approximately £120,000 has not been provided in respect of these losses as the recoverability is uncertain for the foreseeable future.

## 7. Employees

2003  
No.

The average weekly number of persons (including directors) employed by the company was:

4

No director received any emoluments during the period in respect of their services as a director. Details of payments made to directors for consultancy services provided to the company (including expenses) are disclosed within note 16.

## 8. Intangible fixed assets

	<i>Exploration and development costs £'000</i>	<i>Intellectual property £'000</i>	<i>Total £'000</i>
<b>Cost</b>			
Additions in the period	151	50	201
<i>Amortisation</i>			
Charge for the period	–	17	17
<b>Net book value</b>			
At 30 September 2003	151	33	184

## 9. Investment in subsidiary undertakings

The company holds more than 20 per cent. of the equity of the following undertakings:

	<i>Class of holding</i>	<i>Proportion held directly</i>	<i>Country of Incorporation/ registration</i>	<i>Nature of business</i>
AVEN Associates LLC	–	100%	USA	Mining and exploration
Minerales VANE SA de CV	Ordinary	100%	Mexico	Mining and exploration

On 5 February 2003 the company acquired 100 per cent. of the interest of AVEN by the issue of 50,000 ordinary shares of £1 each of its own shares. The VANE Minerals directors LC Arnold and SD Van Nort, both had interests in AVEN. This gave rise to positive goodwill on acquisition of £Nil as follows:

	<i>Initial book value £'000</i>	<i>Fair value adjustment £'000</i>	<i>Fair value at acquisition £'000</i>
Net assets acquired	–	50	50
Consideration settled by shares, at par value			50
Positive goodwill on acquisition			–

## 10. Debtors

	<i>As at 30 September 2003 £'000</i>
Other debtors	18
VAT recoverable	15
	33



## 11. Creditors: amounts falling due within one year

	<i>As at 30 September 2003 £'000</i>
Trade creditors	36
Other creditors	101
Accruals and deferred income	19
	<u>156</u>

Other creditors includes an unsecured loan of £50,000 which bears interest at the rate of 6 per cent. per annum. The interest is due half yearly and the capital is repayable on demand.

## 12. Share capital

	<i>As at 30 September 2003 £'000</i>
Authorised: 1,000,000 Ordinary shares of £1 each	<u>1,000,000</u>
Issued and fully paid: 112,462 ordinary shares of £1 each	<u>112</u>

On incorporation, 1 ordinary share of £1 was issued at par for cash consideration.

On 3 September 2002, the company's authorised share capital was increased from £100 to £1,000,000 by the creation of 999,900 new ordinary shares of £1 each which rank *pari passu* in all respects with the existing share capital of the company.

On 15 September 2002, 24,999 ordinary shares of £1 each were issued at par for cash consideration.

On 10 October 2002, 21,000 ordinary shares of £1 each were issued at par for cash consideration.

On 21 November 2002, 4,000 ordinary shares of £1 each were issued at par for cash consideration.

On 5 February 2003, 2,000 ordinary shares of £1 each were issued at par for cash consideration.

On 5 February 2003, 3,460 ordinary shares of £1 each were issued at £44 per share for cash consideration.

On 5 February 2003, 50,000 ordinary shares of £1 each were issued to acquire 100 per cent. of the interest of AVEN as disclosed in note 9.

On 26 February 2003, 3,189 ordinary shares of £1 each were issued at £44 per share for cash consideration.

On 27 March 2003, 228 ordinary shares of £1 each were issued at £44 per share for cash consideration.

On 27 March 2003, 1,000 ordinary shares of £1 each were issued at par for cash consideration.

On 10 April 2003, 114 ordinary shares of £1 each were issued at £44 per share for cash consideration.

On 14 July 2003, 2,371 ordinary shares of £1 each were issued at £177 per share for cash consideration.

On 13 September 2003, 100 ordinary shares of £1 each were issued at £177 per share for cash consideration.

### 13. Share premium

	<i>As at 30 September 2003 £'000</i>
Premium on shares issued during the period	<u>736</u>

### 14. Reconciliation of movement in shareholders funds

	<i>As at 30 September 2003 £'000</i>
Loss for the period	(490)
New shares issued	<u>848</u>
Closing shareholders' funds	<u>358</u>

### 15. Cash flows

	<i>As at 30 September 2003 £'000</i>
<b>A Reconciliation of operating loss to net cash outflow from operating activities</b>	
Operating loss	(488)
Amortisation	17
(Increase) in debtors	(33)
Increase in creditors	<u>156</u>
Net cash (outflow) from operating activities	<u>(348)</u>
<b>B Analysis of change of net funds in period</b>	
Increase in cash in period	<u>297</u>
Cash at bank and in hand	<u>297</u>
Closing net funds	<u>297</u>

### 16. Related party transactions

Payments made to directors of the company during the period for the provision of consultancy services (including expenses) were as follows:

<i>Name of director</i>	<i>Amount £'000s</i>
M C Idiens	27
R P Jeffcock	38
L C Arnold	45
S D Van Nort	51

### 17. Post Balance Sheet events

On 23 December 2003 the entire issued share capital of VANE Minerals was acquired by the Company in a share for share exchange.

## **18. Commitments**

On 28 May 2003, Minerales VANE entered into an option agreement with Minera Apolo, S.A de C.V. ("Apolo") covering claims in the Guadalcazar district of Mexico. The option agreement contains a consulting agreement with Apolo under which the following amounts are payable: \$50,000 in June 2003; \$50,000 in July 2003; \$200,000 in July 2004 and \$300,000 in June 2005. By June 2006, the Company must either exercise its option to purchase the claims for a final purchase price of \$10,000,000 or terminate the contract.

## **19. Nature of financial information**

The financial information presented above in respect of the period ended 30 September 2003 does not constitute statutory accounts for the period.

Statutory accounts for VANE Minerals for the period ended 30 September 2003 have been delivered to the Registrar of Companies. In respect of these statutory accounts, we have made an unqualified report under Section 235 of the Companies Act 1985 and such report did not contain any statement under section 237(2) or (3) of that Act.

## **20. Consent**

We consent to the inclusion of this report in the Prospectus dated 26 May 2004 and accept responsibility for this report for the purposes of paragraph 45 of Schedule 1 to the Public Offers of Securities Regulations 1995.

Yours faithfully

### **Baker Tilly**

*Chartered Accountants  
Registered Auditor*

## PART VI

### ADDITIONAL INFORMATION

#### 1. The Company

The Company was incorporated and registered in England and Wales as a private limited company with registration number 4573663 on 25 October 2002 under the Act with the name Hamsard 2607 Limited. On 13 February 2003 the Company changed its name to VANE Holdings Limited. It was re-registered as a public limited company under the name VANE Holdings PLC on 15 January 2004.

The Company's registered office is at 2 Park Lane, Leeds, LS3 1ES.

The principal legislation under which the Company operates is the Act and the regulations made thereunder. The liability of the members of the Company is limited.

#### 2. Share Capital

- 2.1 The authorised share capital of the Company on incorporation was £100 divided into 100 Ordinary Shares of £1 each, of which one share (the "Subscriber Share") was issued, fully paid, to the subscriber to the Company's Memorandum of Association. The Subscriber Share was subsequently transferred to Matthew Charles Idiens of Fairway House, 27 Comyn Road, London, SW11 1QB. On 13 February 2003 one further Ordinary Share of £1 was allotted and issued at par, fully paid, to Robert Parkyn Jeffcock of Roc Fleuri, 1 Rue de Tenao, Monaco, MC98000.
- 2.2 On 21 October 2003, a written resolution of the Company was passed whereby:
- each of the 2 ordinary shares of £1 each constituting the entire issued share capital of the Company was sub-divided into 10 Ordinary Shares;
  - each of the ordinary shares of £1 each constituting the authorised but unissued share capital of the Company was sub-divided into 10 Ordinary Shares;
  - the authorised share capital of the Company was increased to £20,000,000 by the creation of an additional 199,999,000 new Ordinary Shares;
  - the Directors were generally and unconditionally authorised, in accordance with Section 80 of the Act, to exercise all the powers of the Company to allot relevant securities;
  - the Directors were further empowered, pursuant to Section 95 of the Act, to allot equity securities (as defined in Section 94 of the Act) for cash pursuant to the authority described in paragraph (d) above as if Section 89(1) of the Act did not apply to the allotment.
- 2.3 On 23 December 2003 the Company allotted 112,461,980 Ordinary Shares to the shareholders of VANE Minerals as consideration pursuant to exchange agreements entered in to with each such shareholder to acquire all of their respective shareholdings in VANE Minerals.
- 2.4 The Directors have, on 25 May 2004, passed a resolution in respect of the power granted to them to disapply section 89 of the Act as set out in paragraph 2.2(e) above that their power is to be treated as limited as follows:
- to the allotment of equity securities in connection with a rights issue, open offer or otherwise in favour of Ordinary Shareholders where the equity securities respectively attributable to the interests of all such shareholders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them on the record date for such allotment but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory;
  - to the allotment of equity securities pursuant to the terms of any share schemes of the Company or any subsidiaries of the Company; and
  - to the allotment of equity securities not exceeding in aggregate the nominal amount of £2,192,157.30.
- 2.5 Immediately following Admission, the authorised share capital of the Company will be £20,000,000 divided into 200,000,000 Ordinary Shares of which 146,143,823 Ordinary Shares will be in issue. There will remain £5,385,617.70 of authorised but unissued share capital consisting of 53,856,177 Ordinary Shares, such unissued Ordinary Share capital being equal to approximately 26.93 per cent. of the authorised share capital of the Company.
- 2.6 The Ordinary Shares are in registered form and on request will be issued either in certificated form with share certificates or in uncertificated form within CREST. No temporary documents of title have been or will be issued.

- 2.7 On Admission, there will be outstanding options under the Share Option Plan over a total of 5,600,000 Ordinary Shares. The Company has granted options as follows:

<i>Optionholder</i>	<i>Date of Grant</i>	<i>Number of Ordinary Shares</i>	<i>Exercise Price (p)</i>
Matthew Charles Idiens	25 May 2004	3,000,000 <sup>1</sup>	11
Robert Parkyn Jeffcock	25 May 2004	1,000,000 <sup>1</sup>	11
Commercial Technology Limited	25 May 2004	1,000,000 <sup>1</sup>	11
Luis Perez	25 May 2004	600,000 <sup>2</sup>	11

- these options are only exercisable in the event that in any continuous period of 90 days expiring on or after the first anniversary of Admission, the average mid-market share price for Ordinary Shares exceeds 150 per cent. of the Placing Price.
- these options vest, providing he remains a consultant to the Group, as to 200,000 on the first anniversary of Admission, as to 200,000 on the second anniversary of Admission and as to 200,000 on the third anniversary of Admission. There are no performance conditions attached to these options.

Save as disclosed in the foregoing paragraphs of this paragraph 2:

- no share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option;
- there is no present intention to issue any of the authorised but unissued share capital of the Company; and
- save in respect of the Placing, none of the Ordinary Shares have been marketed or are available in whole or in part to the public in conjunction with the application for the Ordinary Shares to be admitted to AIM.

### 3. Subsidiary Undertakings

- The Company is the ultimate holding company of the Group.
- The principal subsidiary undertakings (directly or indirectly held) and associated undertakings of the Company are as follows:

<i>Name</i>	<i>Registered Office</i>	<i>Principal Activities</i>	<i>Issued and fully paid capital</i>
VANE Minerals Limited	2 Park Lane Leeds LS3 1ES	Mining	£112,462
Minerales VANE, S.A. de C.V.	Tehuantepec #186 Colonia Roma Sur C.P. 06760 Mexico City	Mineral Exploration and Exploitation	Peso 50,000
AVEN Associates LLC	7400 North Oracle Road #362 Tucson Arizona 85704	Mineral Exploration and Development	US\$400 representing a 100% interest

### 4. Mining Licences/Rights

- Minerales VANE is the holder of the mineral ownership rights, concessions and claims in Mexico set out in the summaries and tables below.
- Concession Right Agreement*

By an agreement with Minera Apolo, S.A. de C.V. ("Minera") dated 17 March 2003 Minerales VANE took an assignment of various exploration rights granted to Minera. These exploration rights, originally granted to Minera by the Federal Government of Mexico, give the right to a specific person, in this case Minera, to perform mineral studies and research activities on a specific area. Under the agreement, Minerales VANE was assigned the following rights in the following areas:

#### File 059/06723

<i>Claim Name</i>	<i>Title Number</i>	<i>Hectares</i>	<i>Type of Claim</i>
1. Diablito Fracción I	220046	30.9509	Exploration
2. Diablito Fracción II	220047	1.6428	Exploration
3. Diablito Fracción III	220048	.4792	Exploration
4. Diablito Fracción IV	220049	.3392	Exploration

#### File 059/06726

<i>Claim Name</i>	<i>Title Number</i>	<i>Hectares</i>	<i>Type of Claim</i>
-------------------	---------------------	-----------------	----------------------

1. Diablito Fracción I	220586	8	Exploration
2. Diablito Fracción II	220587	2.928	Exploration
3. Diablito Fracción III	220588	4.0574	Exploration
4. Diablito Fracción IV	220589	137.8392	Exploration

#### 4.3 Official Claim

On 10 December 2003 Minerale VANE acquired certain specific rights, or concessions, direct from the Federal Government of Mexico. These are specific rights to explore mineral resources in the following areas:

##### **File 059/06751**

<i>Claim Name</i>	<i>Title Number</i>	<i>Hectares</i>	<i>Type of Claim</i>
1. Diabolo Fracción I	221193	216.0683	Exploration
2. Diabolo Fracción I	221194	26.39	Exploration

#### 4.4 Exploration Agreement with Purchase Option

By an agreement between Minera and Minerale VANE dated 28 May 2003 Minerale VANE was granted the right to undertake exploration activities on the following sites:

<i>Claim Name</i>	<i>Title Number</i>	<i>Hectares</i>	<i>Type of Claim</i>
1. Santa Cruz	211535	150	Exploitation
2. El Tigre	211950	564.9148	Exploitation
3. Conejo	210693	43	Exploration
4. El As	214483	32.2176	Exploration
5. Kat	206146	1500	Exploitation
6. El Tigre II	212563	185.4783	Exploitation

Under the agreement Minera will maintain the concession rights listed in the above table and will also provide consultancy services to Minerale VANE. The "Kat" claim is currently being sub-divided into two distinct claims.

In the event that Minerale VANE commences extraction operations on these sites then Minera is entitled to receive a royalty of 1 per cent. of the net sums paid to Minerale VANE by the smelter in respect of the minerals extracted.

Under the agreement Minerale VANE is obliged to make a number of payments to Minera in consideration of the production by Minera of a geological report. The next payment of US\$200,000 is due on 1 July 2004 and the final payment of US\$300,000 is due on 1 June 2005.

The agreement also contains a purchase option in favour of Minerale VANE which gives Minerale VANE the option to buy the concessions, or specific rights, listed in the above table, for the amount of US\$10,000,000. This option is to be exercised at the sole discretion of Minerale VANE but within 36 months of the commencement of this agreement.

#### 4.5 Unregistered Claims

There are a number of concessions which have also been negotiated by Minerale VANE with Minera which have not been formally registered in the name of Minerale VANE. Minera currently holds these concession titles. The rights are in respect of the following sites:

<i>Claim Name</i>	<i>Title Number</i>	<i>Hectares</i>	<i>Type of Claim</i>
1. Chiyo	221317	230.2696	Exploration
2. Lina I	220885	66	Exploration
3. Lina Fraccion I	221410	64.1190	Exploration
4. Lina Fraccion II	221411	87.7564	Exploration

An amendment to the exploration agreement referred to in paragraph 4.4 above has been signed to include these concessions within the scope of that agreement. This amendment is in the process of being registered with the Mining Authority of Mexico.

## 5. Memorandum and Articles of Association

### 5.1 Memorandum

The memorandum of association of the Company (the "Memorandum") provides that the Company's principal objects are to act as, and to perform the functions of, a general commercial company; and to carry on any other business or activity which the directors consider is, or may be, capable of being carried on directly or indirectly for the benefit of the Company. The objects of the Company are set out in full in clause 3 of the Memorandum, which is available for inspection at the address specified in paragraph 1 above.

### 5.2 Articles of Association

The articles of association of the Company (the "Articles") contain, amongst other things, provisions to the following effects:

**(a) Rights attaching to Ordinary Shares**

*(i) Voting*

When a shareholder is entitled to attend a meeting and vote, he has only one vote on a show of hands. A proxy cannot vote on a show of hands. Where there is a poll, a shareholder who is present in person or by proxy and entitled to vote has one vote for every share which he holds. This is subject to any special rights or restrictions which are given to any class of shares by, or in accordance with, the Articles.

Unless the Articles say otherwise, the only people who can attend or vote at general meetings are shareholders who have paid the Company all calls, and all other sums, relating to their shares which are due at the time of the meeting. This applies both to attending a meeting personally and to attending by proxy or corporate representative. A corporation may execute a form of proxy under the hand of a duly authorised officer. A proxy need not be a member of the Company.

*(ii) Dividends*

(A) The Company's shareholders can declare dividends by passing an ordinary resolution. No such dividend can exceed the amount recommended by the directors. If the directors consider that the profits of the Company justify such payments, they can pay interim dividends on any class of shares of such amounts and on such dates and for such periods as they decide. No dividend shall be paid on shares which carry deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrear. Fixed dividends will be paid on any class of share carrying a fixed dividend on the dates prescribed for the payments of such dividends. All dividends will be divided and paid in proportions based on the amounts which have been paid up or credited as paid up on the shares during any of the period for which the dividend is paid.

(B) No dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Act and every other statute for the time being in force concerning companies and affecting the Company (the "Statutes").

(C) Any dividend unclaimed for 12 years after the passing of the resolution for payment of that dividend may be forfeited and will belong to the Company if the directors so decide.

(D) The directors may, with the sanction of an ordinary resolution of the Company, offer the holders of Ordinary Shares the right to elect to receive new Ordinary Shares credited as fully paid instead of cash in respect of the whole or any part of any dividend.

*(iii) Distribution of assets on winding up*

If the Company is wound up (whether the liquidation is voluntary, under supervision of the court, or by the court), the liquidator can, with the authority of an extraordinary resolution passed by the shareholders, divide among the shareholders in kind the whole or any part of the assets of the Company. This applies whether the assets consist of property of one kind or different kinds. For this purpose, the liquidator can set such value as he considers fair upon any property and decide how such division is carried out as between shareholders or different groups of shareholders. The liquidator can also, with the authority of an extraordinary resolution passed by the shareholders, transfer any part of the assets to trustees upon such trusts for the benefit of shareholders as the liquidator decides. The liquidation of the Company can then be closed and the Company dissolved. However, no past or present shareholder can be compelled to accept any shares or other property under this power which carries a liability.

**(b) Transfer of Ordinary Shares**

(i) Any shareholder may transfer all or any of his shares by instrument of transfer in the usual standard form or in any other form which the directors may approve or, in the case of uncertificated shares, in such a manner provided for, and subject as provided, in the Uncertificated Securities Regulations 1995 and the rules of any relevant system (as defined in those regulations). The instrument of transfer of a certificated share shall be executed by or on behalf of the transferor and, except in the case of fully paid shares, by or on behalf of the transferee. The directors may in their absolute discretion and without giving any reason refuse to register any transfer of shares (not being fully paid shares). The directors may also refuse to register a transfer of shares if the transfer (or instrument of transfer):

(A) is in respect of more than one class of share;

(B) is in favour of more than four persons jointly; or

- (C) in the case of certificated shares, is not properly stamped and accompanied by the relevant certificate where this is required.
- (ii) If a shareholder or any person appearing to be interested in shares held by such shareholder has been duly served with a notice under section 212 of the Act and is in default for the prescribed period in supplying to the Company information thereby required, then, unless the directors otherwise determine, the shareholder shall not (for so long as the default continues and in respect of the shares ("default shares") in relation to which the shareholder is in default), nor shall any transferee to whom any such shares are transferred other than pursuant to an approved transfer, be entitled to vote either personally or by proxy at a shareholders' meeting, or to exercise any right which is conferred by virtue of holding shares in relation to shareholders' meetings.
- (iii) Where the default shares represent 0.25 per cent or more of the class of shares concerned, the directors may serve on such shareholder or person a notice (a "Direction Notice") directing that any dividend or part thereof or other money which would otherwise be payable on such default shares shall be retained by the Company without any liability to pay interest thereon. A Direction Notice may also direct that no transfer of any of the shares held by the shareholder shall be registered unless the shareholder is not himself in default in supplying the information requested and the transfer is part only of the shareholder's holding and is accompanied by a certificate given by the shareholder in a form satisfactory to the directors to the effect that after due and careful enquiry the shareholder is satisfied that none of the shares which are the subject of the transfer are default shares. The prescribed period referred to above means 14 days from the date of service of the notice under section 212 where the default shares represent 0.25 per cent or more of the class of shares concerned and 28 days in all other cases. Any Direction Notice shall cease to have effect in relation to any shares which are transferred by such shareholder by means of an approved transfer.

**(c) Variation of rights**

If the Company's share capital is split into different classes of share, and if the Statutes allow this, the special rights which are attached to any of these classes can be varied or abrogated in such manner as may be provided by those rights or if this is approved by an extraordinary resolution. This must be passed at a separate meeting of the holders of the relevant class of shares. Alternatively, the holders of at least three-quarters of the existing shares of the class (by nominal value) can give their consent in writing. The special rights of a class of shares can be varied or abrogated while the Company is a going concern, or while the Company is in the process of being wound up, or if a winding up is being considered. All the Articles relating to general meetings apply, with any necessary changes, to a class meeting, but at least two people who hold (or who act as proxies for) at least one-third of the total nominal value of the existing shares of the class are a quorum. However, if this quorum is not present at an adjourned meeting, one person who holds shares of the class, or his proxy, is a quorum. The rights attached to any class of shares shall not, unless otherwise provided by the rights conferred upon the holders of them, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with or subsequent to such shares.

**(d) Changes in share capital**

- (i) The shareholders can increase the Company's share capital by passing an ordinary resolution. The resolution will fix the amount of the increase and the nominal amount of the new shares and the currency or currencies of the shares;
- (ii) The shareholders can pass ordinary resolutions to do any of the following:
- (A) to consolidate, or consolidate and then divide, all or any of the Company's share capital into shares of a larger nominal amount than the existing shares;
- (B) to cancel any shares which have not been taken, or agreed to be taken, by any person at the date of the resolution, and reduce the amount of the Company's share capital by the amount of the cancelled shares; and
- (C) to divide some or all of the Company's shares into shares which are of a smaller nominal amount than is fixed in the Memorandum. This is subject to any restrictions under the Statutes. The resolution may provide that, as between the holders of the divided shares, different rights and restrictions of a kind which the Company can apply to new shares may apply to different divided shares.
- (iii) Subject to the rights of holders of any class of share, the Company can buy back or agree to buy back in the future, any shares of any class (including redeemable shares), if the Statutes allow this;
- (iv) The shareholders can, subject to any restrictions under the Statutes, pass a special resolution to:
- (A) reduce the Company's share capital in any way; or



(B) reduce any capital redemption reserve or share premium account in any way.

**(e) Directors**

- (i) The business of the Company shall be managed by the directors, who may exercise all the powers of the Company, subject to the provisions of the Articles and the Statutes and to such directions as may be given by the Company by special resolution.
- (ii) Unless otherwise determined by ordinary resolution of the Company, there must be at least 2 but not more than 10 directors.
- (iii) A director need not be a shareholder, and a director who is not a shareholder can still attend and speak at shareholders' meetings.
- (iv) The directors can appoint any director to be the holder of any executive office. So far as the Statutes allow, the directors or any committee authorised by the Board may determine the salary or remuneration of any executive. They can also vary or end such appointments, without prejudice to any claim for breach of any contract entered into in any particular case between the director and the Company.
- (v) The total of the fees paid to all of the directors (other than executive or managing directors) for their services as directors must not exceed £200,000 a year or any higher sum decided on by an ordinary resolution at a general meeting. Unless an ordinary resolution is passed saying otherwise, the fees will be divided between some or all of the directors in the way that they decide. If they fail to decide, the fees will be shared equally by the directors, except that any director holding office as a director for only part of the period covered by the fee is only entitled to a pro rata share covering that broken period. The directors are also entitled to be paid all travelling, hotel and other expenses properly incurred in attending and returning from general meetings, directors' meetings and meetings of committees of the directors.
- (vi) The directors or any committee authorised by the Board can award extra remuneration, which is additional to fees payable as described in paragraph (e) above, to any director who serves on any committee of the directors or who devotes special attention to the business of the Company or who otherwise performs services which the directors consider to be outside the scope of the ordinary duties of a director. Special pay can take the form of salary, commission, participation in profits, or can be paid in some other way as the directors, or any committee authorised by the directors, may determine.
- (vii) The directors can decide to award pensions, annual payments, gratuities or other allowances or benefits to any people who are, or were, directors of the Company or of any subsidiary undertaking of the Company or of any predecessor in business of the Company and to any member of his family (including a spouse, or former spouse) or to any person who is or was dependent on him. The directors can decide to contribute to any scheme or fund or to pay premiums to a third party for these purposes. The directors may make such payments while the intended beneficiary is a director or while the person to whom the intended beneficiary is related, or on whom he is dependent, is a director.
- (viii) The directors can arrange for the Company to purchase and maintain insurance for or for the benefit of any persons who are or were at any time directors, officers or employees of the Company, its subsidiary undertakings, their predecessors in business and certain other companies.
- (ix) A director cannot cast a vote on any contract, arrangement or any other kind of proposal in which he has an interest, and which he knows is a material one, other than in the circumstances falling within paragraph (j) below. For this purpose, interests of a person who is connected with a director under section 346 of the Act are added to the interests of the director himself. Interests purely as a result of an interest in the Company's shares, debentures or other securities are disregarded. In relation to an alternate director an interest of his appointor shall be treated as an interest of the alternate director. This is in addition to any interest which the alternate director has in his own right. A director may not be included in the quorum of a meeting in relation to any resolution he is not allowed to vote on.
- (x) However, if the Statutes allow this, a director can vote, and be counted in the quorum, on any resolution about any of the following matters, as long as the only material interests he has in it are included in the following list:
  - (A) the giving of any security or indemnity to him for any money lent or obligation incurred by him at the request of, or for the benefit of the Company, or any of its subsidiary undertakings;

- (B) the giving of any security or indemnity to a third party for a debt or obligation of the Company or any of its subsidiary undertakings for which the director has taken responsibility for some or all of that debt or obligation under a guarantee or indemnity or by the giving of security;
  - (C) any proposal relating to an offer of any shares or debentures, or other securities of or by the Company, or any of its subsidiaries, for subscription or purchase, if the director takes part in the underwriting or sub-underwriting of the offer;
  - (D) any proposal involving any other company if the director (together with any person connected with the director under section 346 of the Act) has a direct or indirect interest of any kind whether as an officer or a shareholder of that company or otherwise) provided he, and any persons connected with him, are not beneficially interested in shares representing one per cent of more of the issued shares of any class of such body corporate or of the voting rights in any such companies. Any of these interests of one per cent or more are treated for the purposes of the Articles as being material interests;
  - (E) a retirement benefits scheme under which he may benefit which has been approved, or is conditional on approval, by the Board of Inland Revenue for tax purposes;
  - (F) any arrangement for employees to acquire shares in the Company or for the benefit of employees of the Company, or any of its subsidiaries, which only gives him benefits (including superannuation and retirement benefits) in a similar manner to employees to whom the arrangement relates; and
  - (G) a resolution about any proposal relating to any insurance which the Company can purchase and maintain for the benefit of directors, or of a group of people which includes directors.
- (xi) Subject to the Statutes and the provisions of the Articles, no director or proposed or intended director shall be disqualified by his or her office from contracting with the Company either with regard to his or her tenure of any other office or place of profit, or as seller, buyer or otherwise. No such contract in which any director is in any way, whether directly or indirectly, interested shall be liable to be avoided, nor shall any director who enters into any such contract or who is so interested be liable to account to the Company for any profit realised by any such contract by reason of such director holding that office or of the fiduciary relation thereby established.
- (xii) Provisions of the Statutes which, read with the Articles, would restrict the appointment of a director or require him to stop being a director because he has attained the age of seventy or any other age, do not apply to the Company.

**(f) Borrowing powers**

The directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries so as to secure (as regards subsidiaries, so far as by such exercise they can secure) that the aggregate principal amount outstanding of all "moneys borrowed" (as defined in the Articles) by the Company and its subsidiaries (the "Group") and for the time being owing to persons outside the Group less cash deposited shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to three times the nominal amount paid up on the share capital of the Company and the total reserves of the Group (excluding provisions for taxation and minority interests) as at the date of the last audited consolidated balance sheet of the Group, subject to adjustments as described in the Articles.

**6. Directors' Service Agreements and Appointment Letters**

Each of the Directors has service agreements or appointment letters with members of the Group as follows:

**6.1 *Matthew Charles Idiens***

Matthew Charles Idiens has entered into a service agreement with the Company dated 26 May 2004. The agreement is for a fixed term of one year from the date of Admission and is terminable upon six months' notice by either party. Mr Idiens will receive a basic salary of £78,000 per annum. In addition, Mr Idiens is entitled to receive a bonus of such an amount determined by the board of the Company in its absolute discretion. Mr Idiens is also entitled to participate in the Company's life assurance scheme, private medical expenses insurance scheme and is to receive a contribution of 10 per cent. of his salary into a personal pension plan.

**6.2 *Robert Parkyn Jeffcock***

Robert Parkyn Jeffcock has entered into an appointment letter with the Company dated 26 May 2004 which will commence upon Admission. The agreement is terminable upon six months written notice by either party. Mr Jeffcock is not entitled to any remuneration or to participate in any other remunerations or benefits offered by the Company under this agreement.

In addition, his services are provided to VANE Minerals through a consultancy agreement between VANE Minerals and Redmine Limited dated 1 May 2004. Under the terms of the agreement Redmine Limited is paid a fee for the provision of Mr Jeffcock's services of £4,500 per month on the basis Mr Jeffcock spends an average of 2 days per week on VANE Minerals' business. In the event that Mr Jeffcock provides services which average in excess of 2 days per week for an extended period then such additional days will be charged to VANE Minerals at the rate of £350 per additional day. Redmine Limited is entitled to receive a contribution in respect of office and telephone costs equal to 25 per cent. of its office rent and 50 per cent. of its telephone expenses. The agreement is for a fixed term of one year and after that is terminable upon six months notice by either party.

#### 6.3 *Steven Danforth Van Nort*

Steven Danforth Van Nort has signed a letter of appointment with the Company dated 26 May 2004. The agreement is terminable upon six months notice by either party. Mr Van Nort will receive a basic salary of £24,000 per annum. In addition, he is entitled to participate, at the discretion of the Directors, in any bonus scheme offered by the Company.

In addition, Mr Van Nort provides services to AVEN pursuant to the terms of an appointment letter between Mr Van Nort and AVEN dated 1 February 2004. The agreement is for a fixed period of one year and is terminable thereafter upon six months notice by either party. Mr Van Nort will receive US\$500 per day on the basis that he is expected to spend on average 50 per cent. of his time on the business of AVEN.

#### 6.4 *Leavitt Clark Arnold*

Leavitt Clark Arnold has signed a letter of appointment with the Company dated 26 May 2004 and a letter of appointment with AVEN dated 1 February 2004 which are in identical terms to the terms set out for Steven Danforth Van Nort above.

#### 6.5 *Michael Jeremy Spriggs*

Michael Jeremy Spriggs has entered into a letter of appointment with the Company dated 26 May 2004. The agreement is terminable upon six months' notice by either party. Mr Spriggs will be entitled to receive an annual director's fee of £36,000. Mr Spriggs will not be entitled to participate in any other remunerations or benefits from the Company except that the Company may consider allowing Mr Spriggs to participate in any bonus scheme it puts in place.

#### 6.6 *David Richard Bonner Ingmire*

David Richard Bonner Ingmire has entered into a letter of appointment with the Company dated 26 May 2004. The agreement is terminable upon six months' notice by either party. Mr Ingmire will be entitled to receive an annual director's fee of £24,000. Mr Ingmire will not be entitled to participate in any other remunerations or benefits from the Company except that the Company may consider allowing Mr Ingmire to participate in any bonus scheme it puts in place.

Save as disclosed above, there are no service agreements or other similar arrangements existing or proposed between any Directors and any member of the Group.

The aggregate of the remuneration and benefits in kind paid to the Directors by the Company in respect of the period ended 30 September 2003 was £nil. The Directors estimate that under the arrangements currently in force, the aggregate remuneration and benefits in kind to be paid to the Directors or the companies providing their services for the financial year ending 30 September 2004 will be approximately £300,000.

## **7. Directors' and other interests**

### 7.1 *Directors' share interests*

The Directors' interests as at the date of this document and immediately following Admission (all of which are beneficial unless otherwise stated), including interests of any person connected (within the meaning of section 346 of the Act) with a Director, in the share capital of the Company are/will be as set out in the table below.

All the interests are or will be in respect of Ordinary Shares and are or will be interests which are required to be notified to the Company pursuant to section 324 or 328 of the Act or which are required pursuant to section 325 of the Act to be entered in the register maintained under that section, or which are interests of persons connected with the Directors within the meaning of section 346 of the Act or which would have been required to be so notified by those Directors had they been directors of the Company.

<i>Director</i>	<i>No. of Ordinary Shares as at 26 May 2004</i>	<i>No. of Ordinary Shares on Admission</i>	<i>Percentage of issued share capital on Admission</i>
Michael Jeremy Spriggs	0	0	0%
Steven Danforth Van Nort	6,500,000 <sup>1</sup>	6,500,000 <sup>1</sup>	4.45%
Leavitt Clark Arnold	10,500,000 <sup>2</sup>	10,500,000 <sup>2</sup>	7.18%
Matthew Charles Idiens	2,045,000	2,045,000	1.40%
Robert Parkyn Jeffcock	6,000,000 <sup>3</sup>	6,000,000 <sup>3</sup>	4.11%
David Richard Bonner Ingmire	0	0	0%

- Beneficial interest held through the Van Nort Family Trust.
- Beneficial interest held through L Clark and Ardith P Arnold Family Trust.
- Beneficial interest held by Caithness Limited, a wholly owned entity of the J P Jeffcock settlement.

### 7.2 *Directors' interests in share options*

Immediately prior to Admission the following options will have been granted to Directors and will be outstanding under the Share Option Plan:

<i>Director</i>	<i>No. of Ordinary Shares</i>	<i>Latest time for exercise</i>	<i>Exercise Price (p)</i>
Matthew Charles Idiens	3,000,000	24 May 2014	11
Robert Parkyn Jeffcock	1,000,000	24 May 2014	11

### 7.3 *Directors' other interests*

Other than in respect of the Company, the Directors currently hold the following directorships and have held the following directorships within the five years prior to the publication of this document and are or were partners in the following firms within the five years prior to publication of this document:

<i>Director</i>	<i>Current directorships and partnerships</i>	<i>Former directorships and partnerships</i>
Michael Jeremy Spriggs	Katie McAbee – Spriggs Limited	None
Steven Danforth Van Nort	AVEN Associates LLC NuVu Associates LLC VANE Minerals Limited	Freeport Indonesia Company
Leavitt Clark Arnold	Aven Associates LLC Minerales Vane S.A. de C.V. NuVu Associates LLC VANE Minerals Limited	Toucan Gold Corporation Inc.
Matthew Charles Idiens	SL Minerals Limited VANE Minerals Limited Majestic Mining SL Limited Minerales Vane S.A. de C.V.	None
Robert Parkyn Jeffcock	3 Legs Venture Capital plc Minerales Vane S.A. de C.V. Ottoman Mining Limited VANE Minerals Limited	Toucan Gold Corporation Inc.
David Richard Bonner Ingmire	None	IPT Services Limited Mazars

Save as stated in paragraph 7.3 above, no Director:

- has any unspent convictions in relation to indictable offences;
- has become bankrupt or entered into any individual voluntary arrangement;
- has been a director of any company or a partner of any firm which, at that time or within 12 months after his ceasing to be a director or a partner (as the case may be), had a receiver appointed or went into compulsory liquidation, or creditors voluntary liquidation or went into administration, or entered into company or partnership voluntary arrangements or made any composition or arrangement with its creditors;

- (d) has owned or been interested in any assets which have been placed in receivership or been a partner in any partnership at the time of or in the twelve months preceding any assets of such partnership being placed in receivership; or
- (e) has had any public criticism against him by any statutory or regulatory authority (including recognised professional bodies) or has been disqualified by a court from acting as a director or acting in the management or conduct of the affairs of any company.

#### 7.4 *Other Interests*

Save as disclosed in the table below or in paragraph 7.1 above, at the date of this document, the Directors are not aware of any person who, directly or indirectly, is interested in 3 per cent or more of the issued share capital of the Company or any persons who, directly or indirectly, jointly or severally exercise or could exercise control over the Company.

<i>Person</i>	<i>No. of Ordinary Shares as at 26 May 2004</i>	<i>No. of Ordinary Shares on Admission</i>	<i>Percentage of issued share capital on Admission</i>
The Nelson Family Trust	12,500,000	12,500,000	8.55%
Alan F Edwards	12,500,000	12,500,000	8.55%
Roy Williams	12,500,000	12,500,000	8.55%
Richard Harris	12,500,000	12,500,000	8.55%

### 8. **Share Option Plan ("the Plan")**

The Company adopted the Plan on 25 May 2004 and granted the options referred to in paragraph 2.7 above. The Plan will not be approved by the Inland Revenue and details of the Plan are summarised below.

#### 8.1 *Eligibility*

All employees and directors of any member of the Group may be selected for participation in the Plan at the discretion of the remuneration committee of the Board provided they are not within two years of their normal retirement date. The Board may also in its discretion grant Options to any person (including corporate entities) who is a contractor, or consultant or otherwise provides services or whose services are otherwise provided to any member of the Group (such persons will be referred to as service providers for the purpose of this summary).

#### 8.2 *Grant of Options*

Options may be granted under the Plan within the period of six weeks following the date of adoption of the Plan (or if later Admission) and thereafter, normally only within the period of six weeks beginning on the dealing day immediately following the date on which the Company announces its final or interim results, or within the period of six weeks beginning with the commencement of a person's employment or the commencement of a service provider's contract for services.

#### 8.3 *Exercise price*

Options will be granted at a price which represents not less than the market value of the Ordinary Shares on the last dealing day before the grant date, or if greater the nominal value of the Ordinary Shares.

#### 8.4 *Performance Criteria*

Options may be granted subject to specified conditions (to be determined by the Board prior to grant). Where performance conditions are set the Options will only be exercisable if such conditions are met. The Board has not exercised its discretion to specify performance conditions in respect of any Options granted prior to Admission.

#### 8.5 *Normal Exercise periods*

The Board may at its discretion specify when an Option becomes capable of exercise by a participant. No Option may be exercised more than 10 years after the grant date.

#### 8.6 *Other exercise periods*

Options may be exercised by a participant's personal representatives within 12 months following the death of a participant. When Options have been granted to a company or other entity for whom a person provides services, and the person who provides services dies such Options may be exercised within 12 months of that person's death. In all other cases where a participant ceases to be a director, or employee of any member of the Group or where a service provider's contract for services is terminated, the participant's unvested Options will lapse, vested Options may be exercised within 3 months or such longer period as the Board may in its discretion determine and thereafter the Options will lapse. If a participant has committed acts of fraud or gross misconduct his Options will lapse immediately.

Where a person ceases to be an employee or director, but immediately becomes a service provider or provides his services through a service provider, or where a person who services are provided through a service provider

becomes an employee or director, the Board shall exercise their discretion to determine where the Options should lapse.

#### 8.7 *Plan Limits*

The maximum number of shares over which Options to subscribe may be granted, under the Plan when aggregated with shares issued or issuable under any other share option plan operated by the Company, may not in any ten year period exceed 10 per cent. of the issued ordinary share capital of the Company.

#### 8.8 *Changes in control and winding up*

In the event of a change of control of the Company, Options may be exercised within one month of such event (or such other period as may be permitted by the Board or as may be appropriate under sections 428-430 of the Companies Act 1985) or may be released in exchange for Options of equivalent value in relation to shares in the acquiring company or another eligible Company. In the event of the reconstruction, amalgamation or change in control of the Company pursuant to section 425 of the Companies Act 1985, Options may be released in exchange for new options as mentioned above exercised. In the event of the voluntary winding up if the company, or under section 425 of the Companies Act 1985 the court sanctions a compromise or arrangement for the reconstruction or change in control of the company any Options may be exercised within six months and thereafter will lapse.

#### 8.9 *Variation of Capital*

If an increase or variation in the capital of the Company occurs by reason of a capitalisation or rights issue (including an increase or variation having similar effect to a rights issue) or a sub-division, consolidation or reduction, then the Board will make appropriate adjustments to the exercise price and/or the number of shares under Option and/or the Plan limits, provided that the Board have been independently advised in writing that such adjustments are fair and reasonable.

#### 8.10 *Overseas participants*

Options may be granted to non-UK resident participants. Where such Options are granted, the Board may at their discretion make such alterations or additions to the Plan rules as are necessary, having regard to any securities, exchange control, or taxation laws or regulations or similar factors which may apply to the participant or the Company. At the time of Admission the Board has granted Options to individuals resident in Monaco and Arizona, USA and appropriate amendments have been made to the Plan.

#### 8.11 *Amendment and termination*

The principal terms of the Plan may only be amended to the advantage of participants or potential participants with the prior consent of the Company in General Meeting save that any amendment may be made without such authority if it is to be made to obtain or maintain favourable tax treatment for participants or is a minor change to benefit the administration of the Plan.

### **9. MATERIAL CONTRACTS**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or its subsidiaries either within the two years immediately preceding the date of this document and are or may be material or more than two years prior to the date of this document but contain a provision under which the Company or one of its subsidiaries has an obligation or entitlement which is material:

#### 9.1 *Nominated Adviser Agreement*

A Nominated Adviser Agreement dated 26 May 2004 between (1) the Company, (2) the Directors and (3) Seymour Pierce pursuant to which the Company and its Directors have appointed Seymour Pierce to act as Nominated Adviser to the Company for the purpose of the AIM Rules. The Company has agreed to pay Seymour Pierce a fee of £20,000 per annum for its services as Nominated Adviser, together with all reasonable expenses and VAT. The agreement contains certain undertakings and indemnities given by the Company and its Directors in respect of, amongst other things, compliance with all applicable laws and regulations. The agreement continues for a fixed period of one year from Admission and thereafter is subject to termination on three months' notice.

#### 9.2 *Broker Agreement*

A Broker Agreement dated 26 May 2004 between (1) the Company, (2) the Directors and (3) Seymour Pierce pursuant to which the Company and its Directors have appointed Seymour Pierce to act as broker to the Company for the purpose of the AIM Rules. The Company has agreed to pay Seymour Pierce a fee of £15,000 per annum for its services as broker, together with all reasonable expenses and VAT. The agreement contains certain undertakings and indemnities given by the Company and its Directors in respect of, amongst other things, compliance with all applicable laws and regulations. The agreement continues for a fixed period of one year from Admission and thereafter is subject to termination on three months' notice.

### 9.3 *Placing Agreement*

A Placing Agreement dated 26 May 2004 between (1) Seymour Pierce, (2) the Directors and (3) the Company pursuant to which conditional upon, amongst other things, Admission having occurred not later than 8.00am on 2 June 2004 or such later date as the Company and Seymour Pierce may agree, but in any event not later than 8.00am on 15 June 2004, Seymour Pierce has agreed to use reasonable endeavours to procure subscribers for all the Placing Shares at the Placing Price.

The agreement contains warranties from the Company and each of its Directors in favour of Seymour Pierce and indemnities from the Company in favour of Seymour Pierce. It also contains provisions which enable Seymour Pierce to terminate the agreement before Admission including where the warranties are found not to be true and accurate in any material respect. In addition, the Directors have agreed that they will not dispose of any shares held by them for a period of one year following Admission save in certain limited circumstances and in the following twelve months have agreed not to dispose of any shares held by them save in certain limited circumstances without first consulting with Seymour Pierce and subject to such shares being disposed of through Seymour Pierce in such a manner as Seymour Pierce (or the Company's brokers from time to time) may require with a view to maintaining an orderly market in the shares of the Company. The Company has agreed to pay Seymour Pierce a fee of £120,000 and a commission of up to 4 per cent on the aggregate value, at the Placing Price, of the Placing Shares.

### 9.4 *Lock-In Agreements*

By Lock-In Agreements dated 25 May 2004 made between (1) the Company, (2) Seymour Pierce and (3) each of those persons listed below each person has agreed to restrictions on the disposal of shares held by them as follows:

- (a) Roy Williams, Richard Harris, Alan F Edwards and The Nelson Family Trust have agreed not to dispose of any shares held by them for a period of one year following Admission or for the following period of twelve months dispose of any shares other than after consulting with Seymour Pierce in relation to any such disposal and subject to such disposal being effected through Seymour Pierce or the Company's broker from time to time;
- (b) Tomuro Limited, Amy C Arnold, Diek Olyver Van Nort, Joanna C Arnold, Gretchen Van Nort Smith and Nicklaas James Van Nort have agreed not to dispose of any more than 50% of the shares held by them for a period of one year following Admission or dispose of any shares at any time prior to the second anniversary of Admission unless they have consulted with Seymour Pierce in relation to any such disposal and subject to such disposal being effected through Seymour Pierce or the Company's broker from time to time;
- (c) Nick Holtby, Paul Barwell, Adam Barwell, Abbey Resources Limited, John Michael Jeffcock and Hugh Grainger Williams have agreed not to dispose of any of the shares held by them for a period of six months following Admission or at any time prior to the second anniversary of Admission to dispose of any shares other than after consulting with Seymour Pierce in relation to any such disposal and subject to such disposal being effected through Seymour Pierce or the Company's broker from time to time;
- (d) Ian McNeill has agreed not to dispose of any shares held by him for a period of one year following Admission save that the restriction shall only apply to that number of ordinary shares which constitutes up to 2% of the issued share capital of the Company on the date of Admission or dispose of any shares prior to the second anniversary of Admission other than after consulting with Seymour Pierce in relation to any such disposal and subject to such disposal being effected through Seymour Pierce or the Company's broker from time to time; and
- (e) Helen McNeill and Jennifer McNeill have agreed not to dispose of any shares held by them for a period of two years following Admission other than after consulting with Seymour Pierce in relation to any such disposal and subject to such disposal being effected through Seymour Pierce or the Company's broker from time to time.

Each agreement provides certain general exclusions from these requirements including, amongst others, sale by way of acceptance of a take-over offer made to all shareholders of the Company, in the event of an intervening court order or in the event of the death of a shareholder who has entered into a lock-in agreement.

### 9.5 *Loan Stock Agreement*

A Loan Stock Agreement dated 18 November 2002 between (1) VANE Minerals and (2) Cardinal Holdings Limited pursuant to which VANE Minerals has borrowed £50,000 from Cardinal Holdings Limited. VANE Minerals has agreed to pay Cardinal Holdings Limited interest on the capital amount advanced at a rate of 6 per cent. per annum calculated on a daily basis and payable half yearly on 30 June and 31 December in each year. The advance is repayable on demand and, amongst other things, in the event of an insolvency on the part of VANE Minerals. It is expected that this loan will be repaid on or around Admission.

#### 9.6 *AVEN Acquisition Agreement*

An acquisition agreement dated 12 February 2003 between (1) VANE Minerals and (2) The Nelson Family Trust, The Arnold Family Trust, Steven D Van Nort and Alan F Edwards (“Sellers”) pursuant to which VANE Minerals acquired a 100 per cent. interest in AVEN. The consideration for the acquisition was the allotment to each of the Sellers of 12,500 ordinary shares of £1.00 each in the capital of VANE Minerals.

#### 9.7 *Option Agreement With Minera Apolo*

An agreement between (1) Minera Apolo, S.A. de C.V. (“Minera”), and (2) VANE Minerals dated 17 October 2002.

A deposit of US\$5,000 from VANE Minerals has been paid to Minera so that it can acquire certain mineral rights in a site at MunicipaoTecucla, Nayarit, Mexico (“Property”).

In the event the option is exercised and VANE Minerals (through a Mexican subsidiary established for the purpose) subsequently commences extraction operations then the agreement requires Minera and VANE Minerals to enter into a development agreement whereby Minera is entitled to receive a royalty of 5 per cent. of the net sums paid to VANE Minerals’ Mexican subsidiary by the smelter in respect of the metals extracted. Should VANE Minerals’ Mexican subsidiary sell raw ore, concentrates or other products from the Property to a buyer other than the smelter then Minera will be entitled to receive a 5 per cent. royalty based upon the price received for such products.

The agreement is governed by English law.

#### 9.8 *Option Agreement With Mineral Science Systems*

An agreement between (1) Mineral Science Systems, Inc. (“MSSI”), and (2) VANE Minerals dated 11 March 2003.

By the terms of the agreement, MSSI will introduce VANE Minerals to mining opportunities located in:

- (a) Jalisco State and Oaxaca State, Mexico;
- (b) Cochise County, Arizona, USA;
- (c) Buckingham, Price Edward, Appomattox and Cumberland Counties, Virginia, USA;
- (d) Tallapoosa County, Alabama, USA;
- (e) Alamance, Randolph, Guilford, Orange and Chatham Counties, North Carolina, USA; and
- (f) British Columbia, Canada

together the “Projects”

Under the agreement VANE Minerals engaged MSSI in the role of consultant to act on its behalf in assisting in the evaluation of the mineral potential and the possible acquisition of mineral rights in the Project areas (“Rights”). VANE Minerals has agreed to pay MSSI all expenses associated with evaluating, claiming and/or acquiring the Rights and in addition US\$450 per day professional fees.

In the event VANE Minerals acquires, at its sole discretion, exploration rights in relation to a particular Project area, then MSSI will be allotted 500 shares in VANE Minerals. If no Rights are acquired MSSI has no entitlement to receive shares.

In the event that VANE Minerals acquires Rights then an appropriate subsidiary of VANE Minerals is obliged to enter into an agreement with MSSI whereby MSSI will be entitled to receive a royalty of 1 per cent. of the net sums paid to VANE Minerals’ subsidiary by a smelter in respect of metals extracted. If VANE Minerals’ subsidiary sells raw ore, concentrates or other products to a buyer other than a smelter then MSSI will receive a 1 per cent. royalty based on value recovered by the smelter less costs for refining and transportation between mine and smelter. Despite reviewing three prospects in North Carolina, Arizona and Mexico, VANE Minerals has not elected to proceed with any prospects.

The agreement is governed by English law.

#### 9.9 *Freeport Agreement*

By an agreement governed under Louisiana state law dated 1 October 2002 AVEN took an assignment from Nu Vu Associates LLC (“Nu Vu”) of an agreement Nu Vu entered into on 1 July 2001 with Freeport (“Freeport Agreement”).

The Freeport Agreement grants AVEN the right to access and use certain information owned by Freeport for the purpose of, amongst other things, identifying and developing mineral exploration prospects.

Under the agreement, Freeport is granted an option to acquire up to 25 per cent. (at Freeport’s election) equity ownership in each mining project which results from the information belonging to Freeport which AVEN reviews. The option price is set at twice the exploration costs incurred, multiplied by the percentage equity ownership



participation elected by Freeport. In the event a project involves multiple properties and one or more of these is unrelated to the relevant project then Freeport's percentage ownership will be reduced proportionately.

AVEN is obliged to produce to Freeport all 'pertinent' information in relation to a project's feasibility and Freeport has 90 days following receipt of the information to elect to acquire an equity ownership in the project. Freeport may also, after initially declining to exercise a purchase option, exercise a second option if:

- (a) for any reason a feasibility study is not carried out within 6 months of the initial declination by Freeport; or
- (b) if a study is not completed within 2 years following Freeport's decision not to purchase.

The term of the Freeport Agreement was extended on 6 February 2004 to expire on 30 June 2005. AVEN is obliged to return to Freeport all information it has used and is in its possession at the time the Freeport Agreement terminates.

#### 9.10 *Frank J Nelson and Alan F Edwards*

Frank J Nelson and Alan F Edwards provide services to AVEN pursuant to the terms of appointment letters between Alan F Edwards and AVEN and Frank J Nelson and AVEN dated 18 April 2004 and 16 April 2004 respectively. Each agreement is for a fixed term of one year terminable upon six months notice by either party thereafter. The remuneration provisions under the agreements provide that Mr Edwards and Mr Nelson shall each receive the sum of \$500 per day for the provision of their services on the basis that each is expected to spend an average of 50 per cent. of his time on the business of AVEN.

#### 9.11 *Commercial Technology Limited*

A consultancy agreement exists between VANE Minerals and Commercial Technology Limited dated 1 August 2002. Under the terms of the agreement Commercial Technology Limited is paid a fee of £350 per day to provide financial accounting and administration services. The agreement is terminable on 3 months notice by either party to expire on 1 August each year.

The services which are currently provided to VANE Minerals through the consultancy agreement summarised above will terminate, by mutual consent, on 31 May 2004. The services will then be provided to VANE Minerals through a consultancy agreement between VANE Minerals and Commercial Technology Limited dated 25 May 2004 to commence on 1 June 2004. Under the terms of this agreement Commercial Technology Limited is paid a retainer for the provision of financial accounting and administration services in an amount of £4,500 per month for up to 8 days per month and £350 per additional day committed. The agreement is for a fixed period of one year. Thereafter it will renew automatically for successive years unless terminated by either party on three months' notice.

#### 9.12 *Louis Perez*

The services of Louis Perez are provided to AVEN through a consultancy agreement between AVEN and Louis Perez dated 25 March 2004. Under the terms of the agreement Louis Perez is paid \$200 per day on the basis that he dedicates at least 7 days per month to the business of AVEN. The agreement is for an initial fixed term of one year terminable thereafter on six months notice by either party.

### 10. Taxation

The comments in this paragraph are intended as a general guide to the tax position of a United Kingdom Resident under United Kingdom law and Inland Revenue practice as at the date of this memorandum. Any person who is in any doubt as to his tax position or who is subject to tax in a jurisdiction other than the United Kingdom should consult a professional adviser without delay.

#### (a) *Stamp duty and stamp duty reserve tax*

No stamp duty or stamp duty reserve tax is payable on the issue of new Shares by the Company to shareholders.

Any subsequent disposal of Ordinary Shares by the shareholder will generally give rise to the payment of ad valorem stamp duty on the transfer document at the rate of 50p per £100, or part, on the amount or value of the consideration paid. Agreements for such transfers are generally subject to stamp duty reserve tax (unless, in general, the transfer of the relevant shares is duly stamped with ad valorem duty), generally at the rate of 0.5 per cent. of the amount or value of the consideration paid. Liability to pay any stamp duty reserve tax is generally that of the transferee or purchaser. Where a purchase or transfer is effected through a member of the London Stock Exchange or a qualified dealer, the member or dealer will normally account for the collection and payment of the tax, but in all other cases the transferee or purchaser must account for the tax to the Inland Revenue.

Persons operating clearance services or depository receipt schemes may be required to account for stamp duty and stamp duty reserve tax at rates higher than those referred to above.

(b) *Taxation of capital gains*

A subsequent disposal of Ordinary Shares by persons resident or ordinarily resident in the United Kingdom in a tax year which gives rise to gains may be liable to capital gains tax (individuals and trustees) and corporation tax (companies). Liability to tax and the rate of tax will depend on the shareholder's circumstances and the availability of exemptions or allowable losses. Trustees may be subject to tax at a different rate from that applicable to individuals.

Indexation allowance, which increases the acquisition cost of an asset in line with the rise in the retail price index, is available for corporate shareholders during the period of ownership.

For individuals and trustees, taper relief may be available to reduce the amount of a chargeable gain according to how long the asset has been held.

Individuals and certain trusts have an overall annual exemption from capital gains tax for the first £8,200 of chargeable gains in the current tax year. Most settlements have an equivalent exemption of £4,100 in the current tax year.

Losses realised on the disposal of assets may be set against other gains made during the tax year or carried forward and set against gains in future tax years.

Different tax treatment applies to persons who trade in securities.

Persons who are neither resident nor ordinarily resident in the United Kingdom will not normally be liable to tax in the United Kingdom in respect of any gain accruing to them on a disposal of Ordinary Shares. The terms of a relevant double taxation treaty may apply to persons with dual residence.

(c) *Taxation of dividends*

To the extent that shares in the Company are not held by individuals or companies dealing in shares, dividends paid by the Company will be assessable under Schedule D Case V and may be subject to withholding taxes in the paying territory. The extent to which such foreign tax may be set against a UK taxpayer's liability in the UK will depend on the particular circumstances of the taxpayer.

UK corporate shareholders holding 10 per cent. or more of the Company's share capital may be entitled to claim relief against UK Corporation Tax in respect of the Company's underlying tax.

Persons who are not resident in the UK should consult their own tax advisers on the possible application of relevant local tax law and to what relief or credit they may be entitled in the jurisdiction in which they are resident.

## **11. Litigation**

No member of the Group is or has been involved in legal or arbitration proceedings, which are having or have had in the recent past (covering at least the previous twelve months) or may have a significant effect on its financial position nor are any such proceedings pending or threatened.

## **12. Working Capital**

The Directors are of the opinion that, having made due and careful enquiry and having regard to the net proceeds of the Placing receivable by the Company, following Admission the working capital available to the Company and the Group will be sufficient for its present requirements, that is, for at least twelve months from Admission.

## **13. Significant Change**

Save as disclosed in Parts IV and V of this document there has been no significant change in the financial or trading position of any member of the Group since 30 September 2003, the date on which the latest audited accounts of VANE Minerals were drawn up.

## **14. Miscellaneous**

14.1 The financial information contained in this document does not constitute statutory accounts for the purposes of section 240 of the Act and no such accounts have been prepared for the Company since incorporation. The accounting reference date of the Company is 30 September.

14.2 The Group's principal activity is minerals exploration and development.

14.3 Save as disclosed in this document: (a) no exceptional factors have influenced the Group's activities and there are no significant investments in progress; and (b) there are no patent or intellectual property rights, licences or particular contracts which are or may be of fundamental importance to the Group's business.

- 14.4 Except for fees payable to the professional advisers whose names are set out on page 3 of this document, no person has received any fees, securities in the Company or other benefit to a value of £10,000 or more, whether directly or indirectly, from the Company within the twelve months preceding the application for Admission or has entered into any contractual arrangement to receive from the Company, directly or indirectly, any such fees, securities or other benefits on or after Admission.
- 14.5 The total proceeds which it is expected will be raised by the Placing are £3,705,000, and the expected net proceeds, raised by the Placing, after deduction of expenses payable by the Company estimated to be £514,000, are estimated at £3,191,000.
- 14.6 For the purposes of paragraph 21(a) of Part IV of Schedule I to the POS Regulations there is no minimum amount which must be raised for the Company pursuant to the Placing.
- 14.7 The Placing Price represents a premium of 1 pence over the nominal value of 10p per Ordinary Share.
- 14.8 It is expected that definitive share certificates will be despatched by hand or first class post by 9 June 2004. In respect of uncertificated shares, it is expected that CREST stock accounts will be credited on 2 June 2004.
- 14.9 Seymour Pierce, which is regulated by the Financial Services Authority, has given and has not withdrawn its written consent to the issue of this document, with the references to its name in the form and context in which it is included.
- 14.10 Baker Tilly has given and has not withdrawn its written consent to the inclusion of its reports in Parts IV and V of this document, with references thereto and to itself in the form and context in which they appear.
- 14.11 Pincock, Allen and Holt accept responsibility for their report dated 20 April 2004 and have given and have not withdrawn their written consent to the inclusion of it in this document and of references thereto and to themselves in the form and context in which they appear.
- 14.12 Copies of this document will be available to the public free of charge from Seymour Pierce, Bucklersbury House, 3 Queen Victoria Street, London EC4N 8EL during normal office hours, Saturdays and Sundays excepted, for at least one month from Admission.

Dated 26 May 2004



