VANE
Minerals plc

REPORT & FINANCIAL STATEMENTS

Year ended 31 December 2011

DIRECTORS, ADVISORS AND OFFICERS

DIRECTORS

Sir Richard Needham	Non-Executive Chairman
DJ Newton	Chief Executive Officer
KK Hefton	Chief Operating Officer
SD Van Nort	Executive Director
LC Arnold	Executive Director
MC Idiens	Executive Director

SECRETARY

IH McNeill

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BANKERS

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HIGHLIGHTS

Financial Highlights

- £3.68 million revenue (2010: £2.56 million)
- £1.60 million loss after tax (2010: £2.1[1] million loss after tax)
- Raised £1.16 million before expenses in a successful fund raise during October 2011
- Cash balances of £2.30 million as at 31 December 2011 (2010: £2.75 million)

Operational Highlights

- Appointment of new Chief Executive Officer
- McGhee Peak commenced drilling in late 2011 and resulted in VANE successfully drilling into a clearly identified copper-molybdenum porphyry system. Yuma King and Granite Gap copper targets were drilled with negative results
- Pre-feasibility work continues at the Wate uranium project
- High-grade uranium encountered at the Rose project
- Improved production with higher grades from Mexican gold and silver assets

Post-Period Highlights

- Diamond drilling programme initiated at McGhee Peak
- Drilling commenced at Peg Leg copper target
- Revenues arising from Mexican gold and silver production remain robust
- U.S. Secretary of the Interior, Ken Salazar, announces the withdrawal of northern Arizona federal lands from all new exploration and mining activity

[1] Restated, see note 7

CHAIRMAN'S STATEMENT

The progress that we have made this year in both our copper and uranium exploration programmes and our precious metals production business in Mexico is substantial. Our post year end announcement of initial drilling results at McGhee Peak, where we drilled into a copper-molybdenum porphyry system, is a positive development for the Group and we will announce further drilling results on this property throughout the course of 2012. Our copper exploration programme is exciting interest and despite two negative drilling results in 2011, at our projects at Yuma King and Granite Gap, we remain optimistic for both McGhee Peak and our other identified projects which will continue to be drilled throughout the current year.

Our uranium exploration programme in northern Arizona has progressed well through our joint venture with Uranium One. During the year, a NI 43-101 Inferred Resource amounting to 1.118M lbs eU3O8 was confirmed at our Wate project and drilling at our Rose project has produced positive results which we hope to be able to convert into a NI 43-101 compliant resource during 2012.

Post year end, the U.S. Secretary of the Interior announced the anticipated withdrawal from uranium mining activity of one million acres of federal lands in northern Arizona where VANE holds substantial interests. Whilst this announcement was disappointing, we had amended our exploration plans in July 2009 such that since then, we have only drilled on state lands, which haven't been affected by the withdrawal. Regardless of this, the Board continues to believe in the long term fundamentals of nuclear energy and the outlook for uranium in 2012 and beyond.

Our Mexican subsidiary, Minerales VANE SA de CV, has made significant progress in increasing its financial contribution to the Group. During the course of 2011, production switched from our 100% owned Diablito Mine to ore produced from our joint venture with the Ruiz Brothers. As a result, grades and recovery rates improved leading to more revenue being generated and we have been able to announce that in the fourth quarter of 2011 the financial contribution from Minerales VANE covered the entire costs incurred by the Group for that quarter.

The fund raising during the year and the appointment of David Newton as our new Chief Executive leaves us in a strong position both financially and operationally and gives us the opportunity to grow the business through further exploration drilling on our copper and uranium assets, whilst the continuing success of our Mexican business provides the funding required to provide financial security for the Group.

We remain confident that the fundamentals for copper, gold, silver and uranium will remain strong in the medium to long term and we would like to thank our investors for their continuing support. We look forward to updating you with our progress throughout the rest of 2012.

Sir Richard Needham
16 April 2012

REVIEW OF OPERATIONS

2011 was a year of significant developments for VANE. The copper exploration programme was implemented and McGhee Peak commenced drilling in late 2011 resulting in VANE successfully drilling into a clearly identified copper-molybdenum porphyry system. A separate diamond drilling programme has been initiated at that asset to determine whether or not economically viable grades of copper and molybdenum are present. Yuma King and Granite Gap copper targets were drilled earlier in the year with negative results.

Our uranium business progressed well through our joint venture with Uranium One and 2011 saw the confirmation of a NI 43-101 compliant resource at our Wate project and positive drilling results at Rose. In total 14 targets were drilled throughout the year with the results providing us with some further significant exploration targets. The announcement by the U.S. Secretary of the Interior, Ken Salazar, that all federal lands in northern Arizona were being withdrawn from hard-rock mining activity was disappointing but expected, and this had no material impact on the running of the business in 2011, as we had already adjusted our drilling programmes to focus on state lands.

Production of gold and silver from our Mexico business improved significantly throughout the course of 2011. We announced our intention to close our Diablito mine in 2012 once some remaining high grade ore is mined, and production has focused on ore from our Ruiz joint venture. Throughout 2011, this joint venture produced ore from the La Colorada Mine, being one of a number of mines within the joint venture area, and revenues rose significantly due to substantially higher grades being mined and recovery rates improving at our SDA mill. VANE also completed the building of a Merrill Crowe cyanide leaching plant and by the year end this plant was fully operational.

David Newton, our new CEO, started with VANE on 1 September 2011, and is focusing the business on delivering its exploration strategy in the U.S. and improving the revenue flow from Mexico. Following his appointment, the Group completed a successful fund raise in October 2011, raising £1.16 million, before expenses.

Southwest USA Copper Exploration

During 2011, the Company drilled 2 copper exploration targets at Yuma King and Granite Gap which did not result in the discovery of economic mineralisation, and then commenced rotary drilling at its McGhee Peak target. The results of this rotary drilling programme were announced post year end and confirmed that VANE had drilled into a clearly identified copper-molybdenum porphyry system that contained 2 mineralised zones, located approximately 1 mile apart. A further diamond drilling programme has been initiated in order to determine whether or not this porphyry system contains economically viable grades of these metals.

This is an extremely exciting development for VANE, not only because of what we might go on to discover at McGhee Peak, but also because the discovery of a covered porphyry system verifies the exploration techniques that VANE has been utilising in its exploration programme. Even if it transpires that McGhee Peak is not economically viable, these drilling results provide us with additional confidence that our exploration programme will be successful.

VANE has identified further drilling targets in both southern Arizona and southwest New Mexico which will be drilled in due course, although the permitting process in New Mexico still proves to be frustrating, challenging and time consuming and represents a barrier to the Group being able to accelerate its exploration programme.

Uranium Exploration in the USA

"The market that we now find ourselves in is like no other in the history of uranium. Production is far below requirements, which are growing." (as quoted from a report posted on the website of UX Consulting in December 2011).

A licence was granted by the U.S. Nuclear Regulatory Commission on 9 February 2012, for the first new nuclear generating plant to be built in the U.S in 30 years. The plant will be built and operated by Southern Company at its Vogtle site south of Augusta, Georgia.

This news corroborates VANE's continued belief in the nuclear industry and its need for fuel. The long-term price of uranium oxide improved from a low in 2010 of US$58/lb to US$62/lb at the close of 2011, and remains steady near that price despite the natural disaster at Fukushima, Japan. The Company agrees with forecasts of continued strengthening of the price due to demand.

During 2011, VANE continued its uranium drilling exploration programme, which included the Rose project which was acquired in July. Drilling on the Wate project was successful in moving the project to pre-feasibility, which our joint venture partner, Uranium One, is overseeing, and at Rose, ore-grade intercepts were encountered in several holes. The drilling results on 8 of the other projects drilled were positive and justify further drilling.

All breccia pipe drilling activities were carried out on state lands in northern Arizona. As anticipated, and previously planned for operationally by VANE, the U.S. Department of Interior withdrew the federal lands in northern Arizona from all hard-rock mining activity where VANE and several companies hold mining claims. Reaction to this move has come from exploration companies, industry support organizations and elected officials in the form of legislative action as well as judicially in challenging the legality of the withdrawal. The withdrawal is being viewed as "a taking" and investigations are underway into what recourse companies may have to recover losses.

VANE will continue its exploration programme on state lands and has approved drilling plans of operations on 24 projects. The lead projects going into 2012 are the Rose pipe where work will focus on establishing a NI 43-101 resource, and the Square Tank project where a major collapse feature, a strong indicator of a breccia pipe at depth, was identified by early-stage shallow drilling in 2011. VANE geologists continue to identify new exploration targets to add to and prioritize in its portfolio of over 100 targets on state lands. In addition, the company continues to evaluate the economic viability of its North Wash uranium-vanadium project located in southeast Utah.

Mining and Milling Operations in Mexico

Minerales VANE SA de CV, significantly improved its financial performance in 2011. Operations continue to be directed from the headquarters located in Acaponeta, Nayarit that include offices, living quarters and analytical facilities.

During the year, production commenced at our Ruiz joint venture, located in La Rastra, Sinaloa. The joint venture has an area of interest covering some 1,500 square kilometres in southern Sinaloa. It includes three separate mining districts; La Rastra, Escuinapa and Rosario as well as four properties owned by the Ruiz family. The La Colorada Mine is currently in production and this has been the source of all joint venture ore for the SDA mill in 2011. Three additional concessions, Maria Fernanda, Valenzuela and Jorge Luis cover three partly developed high-grade veins.

The main financial terms of the joint venture are that profits are to be split 60:40 in favour of VANE, once 150% of all capital costs incurred by VANE have been repaid. For any period where capital costs are still being re-paid then the profits are split 80:20 in favour of VANE. Whilst almost all capital costs associated with commencing production at La Colorada have now been repaid, additional capital costs will be incurred in bringing into production the other concessions and properties within the joint venture.

During 2011, and once production had commenced at the joint venture, VANE halted production at its Diablito Mine and announced that it intends to close this mine during the course of 2012 following the extraction of approximately 3,200 tonnes of high-grade ore. Of these 3,200 tonnes, it is expected that approximately 1,663 tonnes of higher grade ore (c.17 g/T Au and c.1,800 g/T Ag) will be processed directly by the Merrill Crowe cyanide leaching plant, which was built during the course of 2011, and is now fully operational. The remaining ore will be stockpiled in case of any interruptions to supply from our Ruiz joint venture ore. The extraction of these 3,200 tonnes commenced post period end and Diablito is expected to close later in 2012.

During the year, the SDA mill treated 31,466 tonnes of ore and production averaged 2,622 tonnes per month or 105% of target. Averages grades of 4.4 g/T Au and 131 g/T Ag were achieved with an average recovery rate of 73% Au and 69% Ag. 2,706 oz. Au and 73,384 oz. Ag were produced in total for 2011 at a direct production cost of $743.45 per equivalent oz Au or $16.23 per equivalent oz. Ag.

With concentrating and treating facilities strategically situated along a major north-south highway and rail route, the Minerales VANE SA de CV team continues to seek and evaluate acquisition opportunities, both stand-alone mine/mill operations and mine/mill production as potential feed to the SDA mill and cyanide leach-Merrill Crowe plant. We also continue to look both north and south of Acaponeta for opportunities similar to the Ruiz joint venture. This broad area of interest contains both producing mines and significant historic production and represents what we see as a number of opportunities to expand our business.

FINANCIAL REVIEW

Revenue

Revenue for the year has been generated from both the Diablito mine and the Ruiz joint venture and the Income Statement reports total revenue for the year ended 31 December 2011 of £3,678,126 (2010: £2,560,413).

Revenue from Diablito continued to be lower than expected due to lower ore grades. As a result the Company announced the intention to close Diablito in 2012.

Revenue from the Ruiz joint venture exceeded expectations during Q4 due to higher than expected grades and recovery rates.

Income Statement

The Group reported a net loss after tax of £1,603,980 or 0.46p per Ordinary Share for the year ended 31 December 2011 (2010: £2,100,329[1] or 0.96p per Ordinary Share[1]). The Group reported a gross profit of £569,522 (2010: gross loss of £454,906) after charging profit share payments due under the terms of the Ruiz joint venture of £633,996 (2010: £nil) and depreciation of £653,281 (2010: £923,358).

There has been no impairment of intangible exploration and evaluation assets during the year as a result of the change in accounting policy disclosed in note 3 (2010: £66,277[1]). Impairment of property, plant and equipment resulted in a charge of £457,131 (2010: £nil) relating to impairment of the Diablito mine.

Other operating income of £109,691 (2010: £nil) relates to the 50 per cent uplift on capital expenditure incurred on the La Colorado mine under the terms of the Ruiz joint venture.

Investment income representing interest received on the Group's cash balances was £939 (2010: £3,613).

Balance Sheet

Total investment in intangible assets at 31 December 2011 was £4,865,067 (2010: £3,683,797[1]) reflecting the Group's continued investment in its mineral exploration programme, including the new Wate Mining joint venture.

Property, plant and equipment at 31 December 2011 was £944,953 (2010: £1,961,254) reflecting the continued depreciation of the Diablito mine and Ore processing mill, together with the additional impairment of the Diablito mine of £457,131 (2010: £nil).

Trade and other receivables of £1,170,715 (2010: £504,622) primarily represents amounts owed by joint venture partners.

Trade and other payables of £1,577,446 (2010: £638,721) primarily represents amount due to joint venture partners.

Cash and cash equivalents at 31 December 2011 were £2,299,546 (2010: £2,750,399) which reflects the additional funds raised during October 2011 and the fact that revenue from the Mexico operations are now funding other areas of the Group's activities.

[1]Restated, see note 7

Significant equity events

On 28 September 2011 the Company's Share Option Plan was amended by a resolution of the Remuneration Committee by which the existing share options were cancelled and replaced with new share options, granted with a new exercise price of 1.125p. See note 30.

On 30 September 2011, the Company issued a further 11,600,000 share options to subscribe for Ordinary Shares of 0.1p each in the Company at an exercise price of 1.125p. See note 30.

On 27 October 2011, the Company completed a placing of 116,000,000 Ordinary Shares of 0.1p each at a price of 1p per share, resulting in proceeds before expenses of £1,160,000. See note 28.

Changes in accounting policies

The changes in accounting policies are detailed in note 3 to the financial statements.

Going concern

The Directors have set out in note 3 to the financial statements their consideration of the future financing requirements of the Group and having made appropriate enquires and having examined the major areas which could affect the Group's financial position, the Directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, they consider it appropriate to adopt the going concern basis in preparing the financial statements. This assessment has been carried out in the light of the guidance issued to Directors by the Financial Reporting Council.

RISKS AND UNCERTAINTIES AND RISK MANAGEMENT

There are a number of potential risks and uncertainties which could have a material impact on the Group's long term performance and could cause actual results to differ from expected and historical results.

Non-financial risks

- Any changes in the laws of countries in which the Group carries on business relating to mining could materially affect the rights and title to the interests held there by the Group.
- Overseas territories experience varying degrees of political instability. There can be no assurance that political stability will continue in those countries where the Group currently has, or in future will have, operations. In the event of political instability or changes in government policies in those countries where the Group operates, the operations and financial condition of the Group could be adversely affected.
- The law in some of the countries in which the Group operates, or may operate in, is not rigorously enforced. Corruption, mismanagement and misappropriation are accordingly often widespread in such countries, and difficult or impossible to prevent.
- The U.S. Department of Interior has issued a 20-year withdrawal from mineral entry approximately 1,000,000 acres in the northern Arizona breccia pipe district. This order stops our ability to do work on our claims located on federal lands. State of Arizona lands, on which the Group is now focusing its efforts, are unaffected by this withdrawal.
- The geographic locations of the Group's operations can present logistical difficulties in the installation, operation and maintenance of equipment related to the activities of the business. Any interruption to the working status of such equipment could have a material adverse effect on the business, financial condition and results of operations of the Group.
- The Group currently generates its income from activities at two mines, Diablito and La Colorada and is at risk of any disruption to mining or milling activities for reasons beyond the Group's control. The Group has excellent relationships with mining contractors operating at both mines and has access to alternative contractors if required.

- Access to drill rigs for the Group's exploration programme can be uncertain and in short supply. However, VANE has secured drill rigs to cover all the on-going exploration programmes in the southwestern USA porphyry copper program and Colorado Plateau uranium program.
- Additional drilling permits are under application and the timing and receiving of these can vary greatly as we have seen in our request for uranium drilling permits, 4-6 weeks (Arizona), to copper drilling permits, 1-6 months (New Mexico).
- While the Group believes that its operations are currently in substantial compliance with all relevant material environmental, health and safety laws and regulations, there can be no assurance that new laws and regulations, or amendments to or stringent enforcement of existing laws and regulations will not be introduced, which could have a material adverse impact on the Group.
- The Group's operations are such that minor and major injuries as well as fatalities could occur which could result in the temporary closure of operations or claims against the Group.
- In certain overseas territories the Group is unable to obtain the comprehensive level of insurance cover that would be available in the United Kingdom.

Financial risks

- There is a risk that the carrying value of the Group's assets will not be recovered through future revenues, leading to significant impairment losses. The Group manages the recoverability of its assets and assesses the economic viability throughout the exploration, development and production phases.
- The activities of the Group are subject to fluctuations in prices and demand for minerals, which are volatile and cannot be controlled. The Group continues to monitor commodity prices and the price of silver and gold remain strong. Given the current economic climate the Group does not anticipate a significant drop in the near future. Uranium oxide prices may be impacted by events pertaining to the nuclear industry and currently stand at spot price of approximately $62/lb. Copper prices remain firm.
- The Group sells all its concentrates to the only third party smelter in Mexico currently accepting custom concentrates. In addition to the risks of having a single outlet for concentrates, the Group is restricted to the commercial charges of those parties and the availability of capacity and continuity of labour. However, the Group's cyanide leach, the Merrill Crowe facility, is now operational and in the future the Group has the option of processing its concentrates through this facility should it be required. This alleviates any potential bottleneck at the smelter and provides the Group with the option of processing its own concentrates to produce high-grade zinc precipitates which can then be sold to a wider market.
- Changes in the U.S. mining laws may affect future operations in that royalties on minerals extracted from federal lands may be imposed.
- Funds are maintained by the Group in GBP and USD. There is a risk that purchasing power in Mexico and the U.S. is lost though foreign exchange translation. The Group considers its foreign exchange risk to a normal and acceptable business exposure and does not hedge against the risk.
- Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group does not have any significant credit risk exposure as the normal terms for sale of concentrate to the Group's customer requires prepayment of 85 per cent at the time of delivery. The credit risk on liquid funds, cash and cash equivalents, is considered to be limited because counterparties are financial institutions with high and good credit ratings in the UK, U.S. and Mexico.
- There is a risk that there will be insufficient funds to meet all corporate, development and production obligations and activities and continue as a going concern into the foreseeable future. The Group manages liquidity risk by maintaining adequate cash reserves and monitoring forecast and actual cash flows. Management regularly reviews the Group's cash flow projections and forecasts.

CORPORATE SOCIAL RESPONSIBILITY

Employee recruitment and retention

Although the Group had no quantitative target for the number of employees it needs or retains, this metric is closely monitored. The Group has an excellent record of retaining key staff.

During the year Robert A Jackson was hired to manage the Northern Arizona and uranium programmes.

Health and safety

It is the objective of the Group to ensure the health and safety of its employees and of any other persons who could be affected by its operations. It is the Group's policy to provide working environments which are safe and without risk to health and provide information, instruction, training and supervision to ensure the health and safety of its employees.

SIGNIFICANT RELATIONSHIPS

The Company enjoys good relationships with all of its suppliers, contractors, professional advisers and joint venture partners.

KEY PERFORMANCE INDICATORS

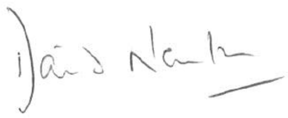
There are a number of key performance indicators that are reviewed regularly by the Board as set out below in respect of 2011.

Item	Actual	Target	Comment
Mill Heads Grade • Diablito • Ruiz JV	 1.9g Au/158g Ag 5.8g Au/116g Ag	 2g Au/200g Ag 6gAu/110g Ag	Whilst Diablito silver grades were lower than expected, gold grades from Colorada were higher than expected in Q4.
Recovery rates • Diablito • Ruiz JV	 78% Au/77% Ag 70% Au/64% Ag	 75%Au/70%Ag 75%Au/70%Ag	Recovery rates were as expected for Diablito while recovery rates were lower than expected for Ruiz due to higher lead/zinc grades in the mill feed ore.
Mill throughput monthly averages (tonnes)	2,622	2,500	Excellent performance at SDA by VANE's technical team.
Forecast cash balance	£2,299,564	£1,645,727	Closing cash balances were greater than forecast due to the completion of the fundraise which took place in October 2011.

FUTURE DEVELOPMENT

VANE, as a diversified exploration company, is well placed with its exciting copper exploration programme in the highly productive southwest USA copper quadrilateral and its uranium exploration and development programme in the high grade breccia pipe district of northern Arizona. The business is substantially de-risked by the revenues earned from VANE's gold/silver production assets in Mexico and it is the funding that this asset provides which will allow VANE to continue to invest in its exploration projects. With the exciting results from drilling at the McGhee Peak project, the Directors are optimistic for the year ahead.

We would like to thank all shareholders for their continued support.



DJ Newton
Chief Executive Officer

KK Hefton
Chief Operating Officer

The Directors present the annual report and financial statements of the Group for the year ended 31 December 2011. The Corporate Governance Statement and the Business Review form part of this report.

Principal activities

The principal activities of the Group during the year were those of the evaluation and acquisition of mineral exploration targets, principally gold, silver, copper and uranium targets, and the development and operation of mining operations in Mexico.

Review of the business

A review of the business, future developments and the principal risks and uncertainties facing the Group is given in the Business Review. The key performance indicators, which the Directors consider to be effective in managing the business, are included in the Business Review.

Dividends

The Directors do not recommend a dividend for the year ended 31 December 2011 (2010: £nil).

Directors

The following were Directors during the year and held office throughout the year, unless otherwise indicated:

Sir Richard Needham	
SD Van Nort	
LC Arnold	
MC Idiens	
KK Hefton	
DJ Newton	Appointed 1 September 2011

Directors' interests in shares and share options

The Directors who held office at 31 December 2011 had the following interests, including family interests, in the Ordinary Shares of the Company as follows:

	Number of Ordinary Shares	
	31 December 2011	1 January 2011
Sir Richard Needham	1,750,000	750,000
SD Van Nort	6,500,000 [1]	6,500,000 [1]
LC Arnold	10,500,000 [2]	10,500,000 [2]
MC Idiens	14,805,880	13,305,880
KK Hefton	116,000	116,000
DJ Newton	500,000	-

[1]Beneficial interest held through the Van Nort Family Trust.
[2]Beneficial interest held through L Clark and Ardith P Arnold Family Trust.

Directors' interests in share options of the Company, including family interests, as at 31 December 2011 were as follows:

	Date of replacement/ grant	No. of shares	Exercise price	Option exercise period
MC Idiens	28 Sep 2011	5,200,000	1.125p	28/09/11 to 30/09/21
KK Hefton	28 Sep 2011	4,400,000	1.125p	28/09/11 to 30/09/21
Sir Richard Needham	28 Sep 2011	500,000	1.125p	28/09/11 to 30/09/21
KK Hefton	30 Sep 2011	1,600,000	1.125p	01/09/12 to 29/09/21
Sir Richard Needham	30 Sep 2011	250,000	1.125p	01/09/12 to 29/09/21
DJ Newton	30 Sep 2011	6,000,000	1.125p	01/09/12 to 29/09/21
MC Idiens	30 Sep 2011	800,000	1.125p	01/09/12 to 29/09/21

On 28 September 2011 the Share Option Plan was amended by a resolution of the Remuneration Committee by which the options in issue at that time were cancelled and replaced with new options. These options were granted with a new exercise price based on the current market value of each Ordinary Share in the Company and were deemed to vest immediately.

The market price of the shares at 31 December 2010 and 31 December 2011 was 3.25p and 1.02p respectively and the average during the year was 2.16p.

Third party indemnity provision for Directors

The Company currently has in place, and had for the year ended 31 December 2011, Directors and officers liability insurance for the benefit of all Directors of the Company.

Substantial shareholdings

Other than the Directors' interests shown above, the Company has been notified of the following substantial interests as at 5 April 2012:

	Number of shares	Percentage of issued share capital
Edwin M P Farrant	19,000,000	4.29%
Roy Williams	15,515,050	3.50%
Frank Nelson	12,500,000	2.82%
William P H Jeffcock	9,663,596	2.18%
Alan F Edwards	8,932,650	2.02%
Richard Harris	6,933,290	1.57%

Supplier payment policy

The Group's policy is to ensure that, in the absence of dispute, all suppliers are dealt with in accordance with its standard payment practice whereby all outstanding trade accounts are settled within the term agreed with the supplier at the time of the supply or otherwise 30 days from receipt of the relevant invoice. Trade payable days based on payables at 31 December 2011 were 29 days (2010: 19 days).

Financial instruments

During the year the Company and its subsidiary undertakings applied financial risk management policies as disclosed in note 32 to the financial statements.

Statement as to disclosure of information to the auditor

The Directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor. This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

Auditor

The Directors resolved that Baker Tilly UK Audit LLP be re-appointed as auditor. Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

By order of the board

IH McNeill
Company Secretary
16 April 2012

CORPORATE GOVERNANCE STATEMENT

The policy of the Board is to manage the affairs of the Group using the principles of the UK Corporate Governance Code as best practice. This statement describes how the principles of corporate governance are applied to the Group to the extent that the Board considers is appropriate for a group of its size, nature and stage of development.

The Board and its committees

Board meetings are scheduled to take place every two months with contact between meetings as required. The meetings are held to set and monitor strategy, review exploration and trading performance, examine acquisition possibilities and approve reports to shareholders. The matters reserved for the Board include, amongst others, approval of the Group's long term objectives, policies and budgets, changes relating to the Group's management structure, approval of the Group's financial statements and ensuring maintenance of good systems of internal control. Procedures are established to ensure that appropriate information is communicated to the Board in a timely manner to enable it to fulfil its duties.

Details of Directors who served during the year are set out in the Directors' Report. The Board is now comprised of five executive Directors and one non-executive Director who acts as Chairman. There are separate roles for the Chairman and the Chief Executive Officer.

The Board has established an Audit Committee, which comprises the Chief Executive Officer, DJ Newton, an executive Director, MC Idiens, and the non-executive Chairman, Sir Richard Needham. The Audit Committee meets twice a year and the external auditor is invited to meetings where appropriate. The main responsibilities of the Audit Committee are to review and report to the Board on matters relating to:

- the integrity of the financial statements of the Group, including its annual and interim accounts;
- the effectiveness of the Group's internal controls and risk management systems;
- the accounting policies and practices of the Group;
- audit plans and auditor's report, including any significant concerns the external auditor may have arising from their audit work; and
- the terms of appointment, remuneration and independence of the auditor.

The Board has established a Remuneration Committee, which comprises an executive Director, LC Arnold, and the non-executive Chairman, Sir Richard Needham. The Remuneration Committee meets twice a year and reviews the performance of the executive Directors and the scale and structure of their remuneration having due regard to the interests of the shareholders. The Committee is also responsible for awards under the share option plan. No Director is involved in any decision relating to his own remuneration and the remuneration of Clark Arnold has not been revised during the time he has served on this committee.

Communication with shareholders

The Board encourages regular dialogue with shareholders. All shareholders are invited to the AGM at which Directors are available for questioning. The notice of AGM is sent to all shareholders at least 21 working days before the meeting. The number of proxy votes received for and against each resolution is disclosed at the AGM and a separate resolution is proposed on each item. Financial and other information about the Company is available on the Company's website www.vaneminerals.com.

Internal controls

The Board is responsible for establishing the Group's system of internal controls and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide the Board with reasonable and not absolute assurance against material misstatement or loss. The key procedures that have been established, and which are designed to provide effective internal control are as follows:

- each of the Group's subsidiaries is managed by an executive Director and there is a management reporting process in place to enable the Board to monitor the performance of the Group on a regular basis;

- an annual forecast is prepared and formally adopted by the Board. This is reviewed on a regular basis and actual performance against forecast is closely monitored;
- the Board reviews the major business risks faced by the Group and determines the appropriate course of actions required to manage those risks;
- the Board approves proposals for the acquisition of new businesses and sets guidelines for the development of new properties. Capital expenditure is regulated and written proposals must be submitted to the Board for any expenditure above specified levels; and
- consolidated management information is prepared on a regular basis.

The Board reviews the effectiveness of the system of internal controls and the control environment. No significant control deficiencies were reported during the year and no weaknesses in internal controls have resulted in any material losses, contingencies or uncertainty which would require disclosure as recommended by the guidance for Directors on reporting on internal controls. The Board has reviewed the need for an independent internal audit function and has concluded that the Group is not large enough to warrant this at the present time.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ('IFRS') adopted by the European Union ('EU') and have elected under company law to prepare the Company financial statements in accordance with IFRS adopted by the EU.

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are reference to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the Group and Company financial statements, state whether they have been prepared in accordance with IFRS adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006.

They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in this Annual Report may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VANE MINERALS plc

We have audited the group and parent company financial statements ('the financial statements') comprising the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated balance sheet, Consolidated statement of changes in equity, Consolidated cash flow statement, Company balance Sheet, Company statement of changes in equity, Company cash flow statement and the Notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRS') as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on the financial statements

In our opinion

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

Opinion on other matter prescribed by the Companies Act 2006

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VANE MINERALS plc

Matters on which we are required to report by exception

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

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

Baker Tilly UK Audit LLP

ANDREW ALLCHIN (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
2 Whitehall Quay
Leeds
LS1 4HG

16 April 2012

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2011

	Notes	2011 £	Restated 2010 £
Continuing operations			
Revenue	5	3,678,126	2,560,413
Cost of sales		(2,474,608)	(3,015,319)
Profit share payments	8	(633,996)	-
Gross profit/(loss)		569,522	(454,906)
Operating expenses		(261,488)	(279,372)
Administrative expenses		(1,342,346)	(1,216,650)
Impairment of property, plant and equipment		(457,131)	-
Impairment of intangible exploration and evaluation assets		-	(66,277)
Impairment of available for sale investment		-	(213,571)
Other operating income	9	109,691	-
Operating loss		(1,381,752)	(2,230,776)
Investment income	10	939	3,613
Finance costs	11	(147,919)	(145,515)
Loss before taxation	12	(1,528,732)	(2,372,678)
Taxation	15	(75,248)	272,349
Loss for the year attributable to owners of the parent company		(1,603,980)	(2,100,329)
Loss per Ordinary Share			
Basic and diluted	16	(0.46p)	(0.96p)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2011

	2011 £	Restated 2010 £
Loss for the year attributable to owners of the parent company	(1,603,980)	(2,100,329)
Other comprehensive income		
Exchange differences arising on translation of foreign operations	(200,224)	170,252
Income tax relating to components of other comprehensive income	32,340	(86,598)
	(167,884)	83,654
Total comprehensive income for the year attributable to owners of the parent company	(1,771,864)	(2,016,675)

VANE Minerals plc

CONSOLIDATED BALANCE SHEET

As at 31 December 2011

	Notes	2011 £	Restated 2010 £
Non-current assets			
Intangible assets	17	4,865,067	3,683,797
Property, plant and equipment	18	944,953	1,961,254
		5,810,020	5,645,051
Current assets			
Inventories	21	363,720	432,158
Trade and other receivables	22	1,170,715	504,622
Cash and cash equivalents	23	2,299,546	2,750,399
		3,833,981	3,687,179
Total assets		9,644,001	9,332,230
Current liabilities			
Trade and other payables	24	(1,577,446)	(638,721)
Taxation		(2,640)	(2,646)
		(1,580,086)	(641,367)
Non-current liabilities			
Convertible loan notes	25	(1,483,409)	(1,455,380)
Deferred tax	26	(12,523)	(113,741)
Provisions	27	(54,510)	(45,375)
		(1,550,442)	(1,614,496)
Total liabilities		(3,130,528)	(2,255,863)
Net assets		6,513,473	7,076,367
Equity			
Share capital	28	19,263,627	19,147,627
Share premium account		5,838,030	4,868,863
Share option reserve		396,679	310,701
Other reserves	29	261,220	261,220
Cumulative translation reserves		29,595	197,479
Retained deficit		(19,275,678)	(17,709,523)
Equity attributable to owners of the parent company		6,513,473	7,076,367

The financial statements on pages 20 to 58 were approved by the Directors and authorised for issue on 16 April 2012 and are signed on its behalf by:

Sir Richard Needham, Chairman

DJ Newton, Chief Executive Officer

VANE Minerals plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Share capital	Share premium account	Share option reserve	Other Reserves (note 29)	Cumulative translation reserves	Retained deficit	Total
	£	£	£	£	£	£	£
As at 1 January 2010 as previously stated	19,010,811	2,359,071	280,161	261,220	71,586	(15,870,681)	6,112,168
Restatement (note 7)	-	-	-	-	42,239	261,487	303,726
As at 1 January 2010 restated	19,010,811	2,359,071	280,161	261,220	113,825	(15,609,194)	6,415,894
Transactions with owners in their capacity as owners							
Issue of equity shares	136,816	2,673,385	-	-	-	-	2,810,201
Expense of issue of equity shares	-	(163,593)	-	-	-	-	(163,593)
Total transactions with owners in their capacity as owners	136,816	2,509,792	-	-	-	-	2,646,608
Loss for the year as restated	-	-	-	-	-	(2,100,329)	(2,100,329)
Other comprehensive income for the year as restated	-	-	-	-	83,654	-	83,654
Total comprehensive income for the year as restated	-	-	-	-	83,654	(2,100,329)	(2,016,675)
Share- based payments	-	-	30,540	-	-	-	30,540
As at 1 January 2011 restated	19,147,627	4,868,863	310,701	261,220	197,479	(17,709,523)	7,076,367
Transactions with owners in their capacity as owners							
Issue of equity shares	116,000	1,044,000	-	-	-	-	1,160,000
Expense of issue of equity shares	-	(74,833)	-	-	-	-	(74,833)
Total transactions with owners in their capacity as owners	116,000	969,167	-	-	-	-	1,085,167
Loss for the year	-	-	-	-	-	(1,603,980)	(1,603,980)
Other comprehensive income for the year	-	-	-	-	(167,884)	-	(167,884)
Total comprehensive income for the year	-	-	-	-	(167,884)	(1,603,980)	(1,771,864)
Share-based payments	-	-	123,803		-	-	123,803
Transfer to retained earnings in respect of options	-	-	(37,825)	-	-	37,825	-
As at 31 December 2011	19,263,627	5,838,030	396,679	261,220	29,595	(19,275,678)	6,513,473

VANE Minerals plc

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2011

	2011 £	Restated 2010 £
Operating activities		
Loss before taxation	(1,528,732)	(2,372,678)
Investment income	(939)	(3,613)
Finance costs	147,919	145,515
Adjustments for:		
Depreciation of property, plant and equipment	660,794	929,939
Impairment of property, plant and equipment	457,131	
Impairment of exploration and evaluation assets	-	66,277
Impairment of available for sale investment	-	213,571
Decommissioning	9,616	-
Share-based payments	123,803	30,540
Effect of foreign exchange rate changes	(158,953)	(106,582)
Operating outflow before movements in working capital	(289,361)	(1,097,031)
Decrease in inventories	68,438	372,042
Increase in trade and other receivables	(826,417)	(130,371)
Increase in trade and other payables	938,578	186,468
Cash used in operations	(108,762)	(668,892)
Income tax paid	(6)	(933)
Interest paid	(119,744)	(120,286)
Net cash used in operating activities	(228,512)	(790,111)
Investing activities		
Interest received	939	3,613
Purchase of property, plant and equipment	(173,557)	(181,137)
Purchase of intangible exploration and evaluation assets	(1,176,978)	(794,406)
Net cash used in investing activities	(1,349,596)	(971,930)
Financing activities		
Proceeds from issue of shares	1,160,000	2,810,201
Expenses of issue of shares	(74,833)	(163,593)
Finance lease payments	-	(1,858)
Net cash from financing activities	1,085,167	2,644,750
Net (decrease)/increase in cash and cash equivalents	(492,941)	882,709
Cash and cash equivalents at beginning of year	2,750,399	1,818,959
Effect of foreign exchange rate changes	42,088	48,731
Cash and cash equivalents at end of year	2,299,546	2,750,399

VANE Minerals plc

COMPANY BALANCE SHEET

As at 31 December 2011 Company No 04573663

	Notes	2011 £	2010 £
Non-current assets			
Investments	19	7,263,307	15,349,435
Current assets			
Trade and other receivables	22	98,668	93,094
Cash and cash equivalents	23	1,038,328	2,020,526
		1,136,996	2,113,620
Total assets		8,400,303	17,463,055
Current liabilities			
Trade and other payables	24	(87,415)	(106,658)
Non-current liabilities			
Convertible loan notes	25	(1,483,409)	(1,455,380)
Total liabilities		(1,570,824)	(1,562,038)
Net assets		6,829,479	15,901,017
Equity			
Share capital	28	19,263,627	19,147,627
Share premium account		5,838,030	4,868,863
Share option reserve		396,679	310,701
Other reserves	29	261,220	261,220
Retained deficit		(18,930,077)	(8,687,394)
Total equity		6,829,479	15,901,017

The financial statements on pages 20 to 58 were approved by the Directors and authorised for issue on 16 April 2012 and are signed on its behalf by:

Sir Richard Needham, Chairman

DJ Newton, Chief Executive Officer

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Share capital £	Share premium account £	Share option reserve £	Other reserves (note 29) £	Retained deficit £	Total £
As at 1 January 2010	19,010,811	2,359,071	280,161	261,220	(8,591,394)	13,319,869
Transactions with owners in their capacity as owners						
Issue of equity shares	136,816	2,673,385	-	-	-	2,810,201
Expenses of issue of equity shares	-	(163,593)	-	-	-	(163,593)
Total transactions with owners in their capacity as owners	136,816	2,509,792	-	-	-	2,646,608
Loss for the year	-	-	-	-	(96,000)	(96,000)
Total comprehensive income for the year	-	-	-	-	(96,000)	(96,000)
Share -based payments	-	-	30,540	-	-	30,540
As at 1 January 2011	19,147,627	4,868,863	310,701	261,220	(8,687,394)	15,901,017
Transactions with owners in their capacity as owners						
Issue of equity shares	116,000	1,044,000	-	-	-	1,160,000
Expenses of issue of equity shares	-	(74,833)	-	-	-	(74,833)
Total transactions with owners in their capacity as owners	116,000	969,167	-	-	-	1,085,167
Loss for the year	-	-	-	-	(10,280,508))	(10,280,508)
Total comprehensive income for the year	-	-	-	-	(10,280,508)	(10,280,508)
Share -based payments	-	-	123,803	-	-	123,803
Transfer to retained earnings in respect of options	-	-	(37,825)	-	37,825	-
As at 31 December 2011	19,263,627	5,838,030	396,679	261,220	(18,930,077)	6,829,479

COMPANY CASH FLOW STATEMENT

For the year ended 31 December 2011

	2011 £	2010 £
Operating activities		
Loss from operations	(10,280,508)	(96,000)
Investment income	(202,036)	(2,420)
Finance costs	147,919	145,176
Adjustments for:		
Impairment of investments in subsidiary undertakings	10,095,677	-
Share -based payments	123,803	30,540
Operating cash (outflow)/ inflow before movements in working capital	(115,145)	77,296
(Increase)/decrease in trade and other receivables	(5,574)	28
(Decrease)/increase in trade and other payables	(19,390)	11,070
Cash (used in)/generated from operations	(140,109)	88,394
Interest paid	(119,743)	(119,781)
Net cash used in operating activities	(259,852)	(31,387)
Investing activities		
Interest received	550	2,420
Loans to subsidiary undertakings	(1,808,063)	(2,105,310)
Net cash used in investing activities	(1,807,513)	(2,102,890)
Financing activities		
Proceeds from the issue of shares	1,160,000	2,810,201
Expenses of issue of shares	(74,833)	(163,593)
Net cash from financing activities	1,085,167	2,646,608
Net (decrease)/increase in cash and cash equivalents	(982,198)	512,331
Cash and cash equivalents at beginning of year	2,020,526	1,508,195
Cash and cash equivalents at end of year	1,038,328	2,020,526

1. GENERAL INFORMATION

VANE Minerals plc (the 'Company') is domiciled and incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is Metic House, Ripley Drive, Wakefield, WF6 1QT.

The nature of the Group's operations and its principal activities are the evaluation and acquisition of mineral exploration targets, principally gold, silver, copper and uranium targets in the United States, and the development and operation of mines in Mexico.

The financial statements are presented in pounds sterling as this is the currency in which funds from financing are generated and in which receipts are usually retained. Foreign operations are included in accordance with the policies set out in note 3.

As permitted by section 408 of the Companies Act 2006, the parent company's income statement and statement of other comprehensive income have not been included in these financial statements.

2. ADOPTION OF NEW AND REVISED STANDARDS

STANDARDS AFFECTING PRESENTATION AND DISCLOSURE

In the current year, the following new and revised Standards have been adopted but have not had any material impact on the amounts reported in these financial statements:

IFRS 3 (amended 2010)	*Business combinations*
IFRS 7(amended 2010)	*Financial instruments: disclosures*
IAS 1 (amended 2010)	*Presentation of financial statements*
IAS 21 (amended 2010)	*The effects of foreign exchange rates*
IAS 24 (revised 2009)	*Related party disclosures*
IAS 27	*Consolidated and separate financial statements*
IAS 34 (amended 2010)	*Interim financial reporting*

At the date of authorisation of the financial statements, the following Standards and Interpretations which have not been applied in the financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 7 (amended 2010)	*Financial instruments disclosures: transfers of financial assets*
IFRS 7 (amended 2011)	*Financial instruments disclosures: offsetting financial assets and financial liabilities*
IFRS 9	*Financial instruments*
IFRS 10	*Consolidated financial statements*
IFRS 11	*Joint arrangements*
IFRS 12	*Disclosure of interests in other entities*
IFRS 13	*Fair value measurement*
IAS 1 (amended 2011)	*Presentation of other comprehensive income*
IAS 12 (amended 2010)	*Income taxes: deferred tax*
IAS 19 (amended 2011)	*Employee benefits*
IAS 27 (amended 2011)	*Separate financial statements*
IAS 28 (amended 2011)	*Investments in associates and joint ventures*
IAS 32 (amended 2011)	*Financial instruments presentation: offsetting financial assets and financial liablilities*

The Directors do not expect that the adoption of these Standards or Interpretations in future periods will have a material impact on the financial statements of the Company or the Group, except for IFRS 11 Joint arrangements which will impact the disclosures relating to joint ventures.

3. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and as adopted by the European Union ('EU').

During the year ended 31 December 2011 VANE Minerals plc changed its accounting policy for the impairment of intangible exploration and evaluation assets. In previous periods the Group applied the full cost method of accounting for exploration and evaluation assets whereby costs of exploring for and evaluation of mineral resources were accumulated by reference to appropriate costs centres which were established on the basis of licences areas. However, impairment reviews for exploration and evaluation assets were carried out on a project by project basis, with each project representing a potential single cash-generating unit. Under the amended accounting policy impairment reviews are carried out on a cost pool basis. Where the exploration and evaluation assets concerned fall within the scope of an established full cost pool the assets are tested for impairment together with all development and production assets associated with that cost pool, as a single cash-generating unit. The Group considers each area of exploration, gold and silver, copper and uranium on a geographical basis to be a separate cost pool and therefore aggregates all specific assets for the purposes of determining whether impairment of E&E assets has occurred.

Management considers that this policy provides more relevant information and is more appropriate to the nature of the Group's exploration activities and is more consistent with usual practice. See note 7.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The principal accounting policies adopted are set out below.

GOING CONCERN

Historically the Group has relied upon investment funds from its shareholders to fund its operations. The Group is still undertaking extensive exploration activities and as such is dependent upon its cash resources for continuance of its programme. The USA activities are operating at a loss but the Group generates cash through mining operations in Mexico. Improved grades and recovery rates have resulted in the generation of increased revenue and this activity provides cash flow to fund the other activities of the Group. The Group has prepared a cash forecast which confirms that it has sufficient cash resources to proceed with its budgeted exploration programme until December 2013.

The Group's exploration expenditure is largely discretionary and its activities can be adjusted to enable the Group to operate within available resources should this be required.

The Group has convertible loan notes of £1,000,000 and £500,000 with redemption dates of 31 May 2012 and 30 September 2012. Cash forecasts have been prepared which confirm that the Group has sufficient cash resources to repay the loan notes as they fall due. The Group does not require any additional borrowing at this time.

Having made appropriate enquires, having considered all the matters raised in the preceding paragraphs, and having examined the major areas which could affect the Group's financial position, the Directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, they consider it appropriate to adopt the going concern basis in preparing the financial statements.

OPERATING EXPENSES

Costs incurred prior to obtaining the legal rights to explore an area together with any costs which cannot be allocated to a specific exploration project are expensed directly to the income statement and included as operating expenses.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings (together, 'the Group') made up to 31 December each year.

Subsidiary undertakings are those entities controlled directly or indirectly by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of the acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

JOINT VENTURES

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic, financial and operating decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

When a group entity undertakes activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other ventures are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interest in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

The Group reports its interest in joint venture arrangements using proportionate consolidation. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities is combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

INVESTMENTS

Long term investments representing interests in subsidiary undertakings are stated at cost less any provision for impairment in the value of the non-current investment.

INTANGIBLE EXPLORATION AND EVALUATION ASSETS

The Group applies the full cost method of accounting for Exploration and Evaluation ('E&E') costs, having regard to the requirements of IFRS 6 *Exploration for and Evaluation of Mineral Resources.* Under the full cost method of accounting, costs of exploring for and evaluating mineral resources are accumulated by reference to appropriate cost centres being the appropriate licence area, but are tested for impairment on a cost pool basis as described below.

E&E assets comprise costs of (i) E&E activities that are on-going at the balance sheet date, pending determination of whether or not commercial reserves exist and (ii) costs of E&E that, whilst representing part of the E&E activities associated with adding to the commercial reserves of an established cost pool, did not result in the discovery of commercial reserves.

Costs incurred prior to having obtained the legal rights to explore an area are expensed directly to the income statement as they are incurred.

Exploration and evaluation costs

All costs of E&E are initially capitalised as E&E assets. Payments to acquire the legal right to explore, costs of technical services and studies, seismic acquisition, exploratory drilling and testing are capitalised as intangible E&E assets.

Intangible costs include directly attributable overheads together with the cost of other materials consumed during the exploration and evaluation phases.

Treatment of E&E assets at conclusion of appraisal activities

Intangible E&E assets related to each exploration licence/project are carried forward until the existence (or otherwise) of commercial reserves has been determined. If commercial reserves have been discovered, the related E&E asset are assessed for impairment on a cost pool basis as set out below and any impairment is recognised in the income statement. The carrying value, after any impairment loss, of the relevant E&E assets is then reclassified as development and production assets.

Intangible E&E assets that related to E&E activities that are determined not to have resulted in the discovery of commercial reserves remain capitalised as intangible E&E assets at cost less accumulated amortisation, subject to meeting a pool-wide impairment test in accordance with the accounting policy for impairment of E&E assets set out below. Such E&E assets are amortised on a unit-of-production basis over the life of the commercial reserves of the pool to which they relate.

IMPAIRMENT OF INTANGIBLE EXPLORATION AND EVALUATION ASSETS

E&E assets are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. Such indicators include, but are not limited to, those situations outlined in paragraph 20 of IFRS 6 *Exploration for and Evaluation of Mineral Resources* and include the point at which a determination is made as to whether or not commercial reserves exist.

Where there are indications of impairment, the E&E assets concerned are tested for impairment. Where the E&E assets concerned fall within the scope of an established full cost pool, the E&E assets are tested for impairment together with all development and production assets associated with that cost pool, as a single cash generating unit.

The aggregate carrying value is compared against the expected recoverable amount of the pool, generally by reference to the present value of the future net cash flow expected to be derived from production of commercial reserves. Where the E&E assets to be tested fall outside the scope of any established cost pool, there will generally be no commercial reserves and the E&E assets concerned will generally be written off in full.

If the recoverable amount of a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

The Group considers each area of exploration, gold and silver, copper and uranium on a geographical basis to be a separate cost pool and therefore aggregates all specific assets for the purposes of determining whether impairment of E&E assets has occurred.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset into use.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives at the following rates:

Diablito mine	over the life of the mine
Ore processing mill	over 10 years
Plant and machinery	over 5 to 10 years

The estimated useful lives, residual value and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit and loss.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

REVENUE RECOGNITION

Revenue from the sale of minerals is recognised when persuasive evidence of an arrangement exists, usually in the form of an executed sales agreement, indicating that there has been a transfer of risks and rewards to the customer, no further work or processing is required by the Group, the quantity and quality of the goods has been determined with reasonable accuracy, the price is fixed or determinable, and collectability is reasonably assured. This is generally when title passes. Revenue is measured at the fair value of the consideration received or receivable.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

LEASING

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

FOREIGN CURRENCIES

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in pound sterling, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the functional currency of each group company ('foreign currencies') are translated into the functional currency at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated into the functional currency at the rates prevailing on the reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign exchange differences are recognised in the profit or loss in the period in which they arise, except for foreign exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur and which, therefore, form part of the net investment in the foreign operation. Foreign exchange differences arising on the translation of the Group's net investment in foreign operations are recognised as a separate component of shareholders' equity via the statement of other comprehensive income. On disposal of foreign operations and foreign entities, the cumulative translation differences are recognised in the income statement as part of the gain or loss on disposal.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used.

Foreign exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity. On the disposal of a foreign operation all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

Fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity. The Group has elected to treat fair value adjustments arising on acquisitions before the date of transition to IFRS as pound sterling denominated assets and liabilities.

RETIREMENT BENEFITS

The Group makes contributions to the personal pension schemes for some of its employees and Directors. Payments to these schemes are charged as an expense in the income statement in respect of pension costs payable in the year. There were no unpaid contributions at the period end.

TAXATION

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probably that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interest are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted at the reporting date.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

FINANCIAL INSTRUMENTS

Recognition of financial assets and financial liabilities

Financial assets and financial liabilities are recognised on the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets and financial liabilities

The Group derecognises a financial asset only when the contractual rights to cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for the amount it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or expired.

Financial Assets

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost less any provision for impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and on-demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash with three months or less remaining to maturity and are subject to an insignificant risk of changes in value.

Available-for-sale-investments

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories of financial asset. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Regular purchases and sales of investments are recognised on trade-date, being the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value, with changes in fair value being recognised in equity.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'. Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

The costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that would otherwise have been avoided.

Trade and other payables

Trade and other payables are initially measured at their fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Compound Instruments

The component parts of compound instruments (convertible loan notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently re-measured.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible loan notes using the effective interest method.

PROVISIONS

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic resources will result and that outflow can be reliably measured.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receipt can be measured reliably.

Decommissioning
Provision for decommissioning is recognised in full when the related facilities are installed. The decommissioning provision is calculated as the net present value of the Group's share of the expenditure expected to be incurred at the end of the producing life of the facility in the removal and decommissioning of the production, storage and transportation facilities currently in place. The cost of recognising the decommissioning provision is included as part of the cost of the relevant asset and is thus charged to the income statement in accordance with the Group's policy for depreciation of property, plant and equipment. Period charges for changes in the net present value of the decommissioning provision arising from discounting are included in finance costs.

SHARE-BASED PAYMENTS

The Group has applied the requirements of IFRS 2 *Share-based Payment* for all grants of equity instruments.

The Group operates an equity-settled share option plan. The fair value of the service received in exchange for the grant of options is recognised as an expense. Equity-settled share-based payments are measured at fair value (excluding the effect non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of equity-settled share-based payment is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured by use of the Black Scholes model for non-performance based options. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations.

SEGMENTAL REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments and making strategic decisions, has been identified as the Board of Directors.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of the assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the critical judgements and estimations that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

RECOVERABILITY OF INTANGIBLE EXPLORATION AND EVALUATION ASSETS

Determining whether an exploration and evaluation asset is impaired requires an assessment of whether there are any indicators of impairment, including by reference to specific impairment indicators prescribed in IFRS 6 *Exploration for and Evaluation of Mineral Resources*. If there is any indication of potential impairment, an impairment test is required based on the value in use of the asset. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of intangible exploration and evaluation assets at the balance sheet date was £4,865,067 (2010: £3,683,797[1]) and impairments to the value of £nil (2010: £66,277[1]) were identified and recognised in the period.

CARRYING VALUE OF PROPERTY, PLANT AND EQUIPMENT

The Directors have reviewed all available data and taken professional advice as required to consider the current estimated economic life of the Diablito mine in Mexico.

A mine life of 4 years was anticipated at the end of 2009. At 31 December 2010 the Diablito resource had been reduced by 24,000 tonnes indicating a mine life of 18 months at the production rate of 30 tonne-per-day.

The value in use of the mine has been calculated by a net present value calculation. The assumptions used in the net present value calculation are as follows:

	2011	2010
Gold price	$1,600/oz	$1,325/oz
Silver price	$28.00/oz	$27.00/oz
Ounces of gold per tonne of ore	0.07	0.07
Ounces of silver per tonne of ore	7.5	7.5
Recovery rate	85%	85%
Discount rate	10%	10%
Mine life (adjusted for revised pillar loss and working days)	0.5 years	1.5 years
Mining rate (tonnes per year)	8,500 t/yr	11,000 t/yr

[1]Restated, see note 7

From the information available their current estimate is 0.5 years as at the reporting date and there has, therefore, been no adjustment to the estimated economic life of the mine at 31 December 2011.

At 31 December 2011, there were indications of potential impairment of the Diablito mine and an impairment test was performed based on the value in use of the asset. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of property, plant and equipment at the balance sheet date was £944,953 (2010: £1,961,254) and an impairment to the value of £457,131 (2010: £nil) was identified and recognised in the period.

RECOVERABILITY OF LOANS TO SUBSIDIARY UNDERTAKINGS

The Company has a number of loans made to its subsidiaries as the primary method of financing the activity of those subsidiaries. These loans are shown in the Company balance sheet on the basis that the loans incur interest at a commercial rate according to the Group's inter-company loan policy, which is being rolled up until such time as the subsidiaries are in a position to settle. However, there is a risk that the subsidiaries will not commence revenue-generating activities and that the carrying amount of the investments exceed the recoverable amount. The Board have assessed the recoverability of these loans and whilst the Mexican subsidiary, Minerales VANE S.A. de C.V., is generating revenue and cash and has commenced repayment of its loan the Directors consider that a provision of £10,095,677 (2010: £nil) should be recognised in the period against its other subsidiaries.

PROVISION FOR DECOMMISSIONING

As a result of exploration activities the Group is required to make provision for decommissioning. Significant uncertainty exists as to the amount of decommissioning obligations which may be incurred due to the impact of possible changes in environmental legislation. A provision of £54,510 has been recognised at 31 December 2011 (2010: £45,375).

SHARE-BASED PAYMENTS

The Group has an equity-settled share option scheme available to Directors, selected employees and consultants. In accordance with IFRS 2 *Share-based Payment*, in determining the fair value of options granted, the Group has applied the Black Scholes model for non-performance based options. As a result, the Group makes assumptions for expected volatility and expected life. The fair value of options granted in the years reported in shown in note 30.

5. REVENUE

The external revenue of the Group arises solely from the sale of precious minerals arising from activities in Mexico.

6. SEGMENTAL INFORMATION

For management purposes, the Group is organised into two operating divisions, the USA and Mexico. These divisions are the basis on which the Group reports its segment information.

Segment information about these divisions is presented below. The tables show the geographic segmentation of the Group. Activities in Mexico are currently concerned with gold and silver mining. Activities in the USA are split between research for further gold, silver and copper properties, and research and evaluation of potential uranium properties.

	2011 £	Restated 2010 £
Income statement		
Revenue		
Mexico	3,678,126	2,560,413
Segmental results		
USA	(591,579)	(720,221)
Mexico	(10,405)	(728,059)
Total segment results	(601,984)	(1,448,280)
Unallocated results	(926,748)	(924,398)
Current and deferred tax	(75,248)	272,349
Loss after taxation	(1,603,980)	(2,100,329)
Depreciation		
USA	6,345	6,581
Mexico	654,449	923,358
	660,794	929,939
Impairment		
USA	-	66,277
Mexico	457,131	-
Total segment impairment	457,131	66,277
Unallocated impairment	-	213,571
Total impairment	457,131	279,848

Employees

The average numbers of employees for the year for each of the Group's principal divisions were as follows:

	2011 Number	2010 Number
USA	5	6
Mexico	40	27
Total segment employees	45	33
Unallocated employees	5	5
Total employees	50	38

	2011 £	Restated 2010 £
Balance Sheet		
Segment Assets		
USA	6,006,967	4,040,693
Mexico	2,539,598	3,203,874
Total segment assets	8,546,565	7,244,567
Unallocated assets	1,097,436	2,087,663
Total assets	9,644,001	9,332,230
Segment Liabilities		
USA	881,443	78,580
Mexico	627,781	463,978
Total segment liabilities	1,509,224	542,558
Unallocated liabilities	1,606,141	1,596,918
Current and Deferred Tax	15,163	116,387
Total liabilities	3,130,528	2,255,863
Capital Additions		
USA	1,176,978	794,406
Mexico	223,543	181,137
	1,400,521	975,543
Net Assets		
USA	5,125,524	3,962,113
Mexico	1,896,654	2,634,763
Total segment net assets	7,022,178	6,596,876
Unallocated net (liabilities)/ assets	(508,705)	479,491
Total net assets	6,513,473	7,076,367

All the assets of the Group relate to the mining operations in Mexico and research, evaluation and mining in the USA. The business segmentation effectively follows the geographic segmentation given above. The Group's revenue was generated from one customer.

7. RESTATEMENT

As discussed in note 3, during 2011 the Group changed its accounting policy relating to the impairment of intangible exploration and evaluation assets. In previous periods impairment reviews for exploration and evaluation assets were carried out on a project by project basis, with each project representing a potential single cash-generating unit. Under the amended accounting policy impairment reviews are carried out on a cost pool basis. Where the exploration and evaluation assets concerned fall within the scope of an established full cost pool the assets are tested for impairment together with all development and production assets associated with that cost pool, as a single cash-generating unit. Management considers that this policy provides more relevant information and is more appropriate to the nature of the Group's exploration activities and is more consistent with usual practice.

As a result, the comparative financial information for the year ended 31 December 2010 has been restated with the adjustments made to the opening balances of assets, liabilities and equity for prior period restatements that occurred before the earliest period presented.

Accordingly, an adjustment has been made retrospectively increasing E&E assets by £664,008 with a corresponding increase in equity as at 31 December 2010.

A summary of the adjustments made to restate the prior year's financial statements is as follows:

	Consolidated Balance Sheet		
	E&E £	Accumulated deficit £	Cumulative translation reserves £
At 1 January 2010 as previously stated	2,567,140	(15,870,681)	71,586
Impairment	303,726	261,487	42,239
At 1 January 2010 restated	2,870,866	(15,609,194)	113,825
At 31 December 2010 as previously stated	3,019,789	(18,322,320)	146,268
Impairment	664,008	612,797	51,211
At 31 December 2010 restated	3,683,797	(17,709,523)	197,479

	Consolidated Income Statement		
	Impairment of E&E assets £	Loss for the year £	Loss per share £
For the year ended 31 December 2010 as previously stated	(417,587)	(2,451,639)	(1.12p)
Impairment	351,310	351,310	0.16p
For the year ended 31 December 2010 restated	(66,277)	(2,100,329)	(0.96p)

	Consolidated Cash flow Statement	
	Loss before taxation £	Impairment of E&E assets £
For the year ended 31 December 2010 as previously stated	(2,723,988)	417,587
Impairment	351,310	(351,310)
For the year ended 31 December 2010 restated	(2,372,678)	66,277

8. PROFIT SHARE PAYMENTS

In December 2010 the Group entered into a JVA with Jose Ruiz Armenta and Jesus Hector Ruiz Armenta ('MET-SIN') in relation to gold and silver mining activities in Mexico.

Under the terms of the joint venture agreement, once a JV property becomes operational the gross margin earned is allocated 60 per cent to the Group and 40 per cent to MET-SIN. See note 20.

	2011 £	2010 £
MET-SIN	633,996	-

9. OTHER OPERATING INCOME

Under the terms of the joint venture agreement entered into with MET-SIN, VANE provides the capital necessary to acquire, explore and develop mining projects and recovers those capital cost at the rate of 150 per cent of the original cost. Other operating income represents the 50 per cent uplift on the capital expenditure.

	2011 £	2010 £
Capital expenditure uplift	109,691	-

10. INVESTMENT INCOME

	2011 £	2010 £
Interest on bank deposits	939	3,613

11. FINANCE COSTS

	2011 £	2010 £
Interest on convertible loan notes	147,919	145,176
Interest on finance lease	-	339
	147,919	145,515

12. LOSS BEFORE TAXATION

The loss for the year has been arrived at after charging/(crediting):

	2011 £	2010 £
Depreciation of property, plant and equipment	660,794	929,939
Staff costs (note 14)	864,704	560,569
Operating leases - land and buildings	60,221	63,965
Non-recoverable VAT	19,789	-
Net foreign exchange losses/(gains)	5,532	(118,151)
Operating expenses – exploration and evaluation costs expensed	261,488	279,372

13. AUDITOR'S REMUNERATION

Amounts payable to Baker Tilly UK Audit LLP and its associates in respect of both audit and non-audit services:

	2011 £	2010 £
Audit services		
statutory audit of parent and consolidated accounts	24,000	35,300
Other services		
The auditing of accounts of associates of the Company pursuant to legislation (including that of countries and territories outside the United Kingdom	5,000	18,700
Services supplied pursuant to such legislation	-	6,000
Taxation services (e.g. compliance and advisory)	8,800	7,370
	37,800	67,370

14. STAFF COSTS

The average monthly number of employees (including Executive Directors) was:

	2011 Number	2010 Number
Office and management	11	7
Production	39	31
	50	38

Their aggregate remuneration comprised:

	2011 £	2010 £
Wages and salaries	713,244	580,949
Social security costs	95,468	70,695
Other pension costs	13,668	10,000
Share-based payments	97,028	30,540
	919,408	692,184

Included within wages and salaries is £54,704 (2010: £131,615) capitalised to intangible exploration and evaluation assets.

15. TAXATION

	2011 £	Restated 2010 £
Current tax:		
Foreign tax	160,325	24,939
Total current tax	160,325	24,939
Deferred tax:		
Origination and reversal of temporary differences	157,478	(94,076)
Reversal of fair value adjustment on business combinations in prior periods	(242,555)	(203,212)
Total deferred tax	(85,077)	(297,288)
Tax charge/(credit) on loss for the year	75,248	(272,349)

The credit charge for the year can be reconciled to the loss per the income statement as follows:

	2011	2010
Loss before tax	(1,528,732)	(2,372,678)
Loss multiplied by rate of corporation tax for UK companies of 26.5% (2010: 28%)	(405,114)	(664,350)
Effects of:		
Expenses not deductible for tax purposes	60,450	36,175
Share-based payments	32,808	8,551
Unrelieved tax losses carried forward	235,998	313,751
Mexican flat-rate business tax	160,325	-
Difference in foreign tax rates	(9,219)	33,524
Tax charge/(credit) on loss for the year	75,248	(272,349)

Unrelieved tax losses carried forward, as detailed in note 26, have not been recognised as a deferred tax asset, as there is currently insufficient evidence that the asset will be recoverable in the foreseeable future. The losses must be utilised in relation to the same operations. Tax for other jurisdictions is provided at rates prevailing in those countries.

Income tax (credit)/charge included in other comprehensive income during the year is:

	2011 £	2010 £
Foreign tax on exchange gain	(32,340)	86,598

16. LOSS PER ORDINARY SHARE

Basic loss per Ordinary Share is calculated by dividing the net loss for the year attributable to owners of the parent company by the weighted average number of Ordinary Shares in issue during the year. The calculation of the basic and diluted loss per Ordinary Share is based on the following data:

	2011 £	Restated 2010 £
Losses		
Losses for the purpose of basic loss per Ordinary Share being net loss attributable to owners of the parent company	(1,603,980)	(2,100,329)
Number of shares	Number	Number
Weighted average number of shares for the purposes of basic loss per Ordinary Share	347,899,000	218,376,369
Loss per Ordinary Share		
Basic and diluted	(0.46p)	(0.96p)

Due to the losses incurred in 2011 and 2010, there is no dilutive effect from the existing share options or convertible loan notes.

17. INTANGIBLE ASSETS

	Exploration and evaluation assets £
Cost	
At 1 January 2010 restated	2,870,866
Additions	794,406
Impairment restated (note 7)	(66,277)
Exchange differences restated	84,802
At 1 January 2011 restated (note 7)	3,683,797
Additions	1,176,978
Exchange differences	4,292
At 31 December 2011	4,865,067

18. PROPERTY, PLANT AND EQUIPMENT

	Diablito mine £	Ore processing mill £	Plant and machinery £	Total £
Cost				
At 1 January 2010	4,406,062	561,859	76,113	5,044,034
Additions	-	180,597	540	181,137
Provision for decommissioning	1,375	2,750	-	4,125
Exchange differences	52,387	44,624	4,359	101,370
At 1 January 2011	4,459,824	789,830	81,012	5,330,666
Re-categorisation	-	(160,307)	110,321	(49,986)
Additions	-	-	223,543	223,543
Provision for decommissioning	1,343	4,028	-	5,371
Exchange differences	(72,192)	(88,734)	(4,777)	(165,703)
	4,388,975	544,817	410,099	5,343,891
Accumulated depreciation				
At 1 January 2010	2,266,565	96,772	35,606	2,398,943
Charge for the year	858,051	58,400	13,488	929,939
Exchange differences	29,034	9,250	2,246	40,530
At 1 January 2011	3,153,650	164,422	51,340	3,369,412
Re-categorisation	-	(269)	269	-
Charge for the year	570,496	57,090	33,208	660,794
Impairment	457,131	-	-	457,131
Exchange differences	(60,422)	(22,954)	(5,023)	(88,399)
	4,120,855	198,289	79,794	4,398,938
Carrying amount				
At 31 December 2011	268,120	346,528	330,305	944,953
At 31 December 2010	1,306,174	625,408	29,672	1,961,254

Re-categorisation of property, plant and equipment include assets which were transferred to current assets during the year.

The depreciation has been charged in the income statement as follows:-

	2011 £	2010 £
Cost of sales	653,281	923,358
Operating and administrative expenses	7,513	6,581
	660,794	929,939

19. INVESTMENTS

	Group	Company		
	Available for sale investment	Shares in subsidiary undertakings	Loans to subsidiary undertakings	Total
	£	£	£	£
At 1 January 2010	213,571	3,889,004	9,355,121	13,244,125
Additions	-	-	2,105,310	2,105,310
Impairment	(213,571)	-	-	-
At 1 January 2011	-	3,889,004	11,460,431	15,349,435
Additions	-	-	2,009,549	2,009,549
Provision	-	-	(10,095,677)	(10,095,677)
At 31 December 2011	-	3,889,004	3,374,303	7,263,307

The Group available for sale investment represents an investment of 17% in the Ordinary Share capital of Darley Energy plc, a mining and exploration company. Licence applications for the exploration area are at present dormant. There is no active market for this equity instrument and as such the Board assessed this asset for impairment at 31 December 2011 and considered that it should remain impaired in full.

This investment represents a level 3 investment (under IFRS 7) as the fair value has been derived from valuation techniques that include inputs not based on observable market data.

The Company has a number of loans made to its subsidiaries which incur interest at a commercial rate, according to the Group's inter-company loan policy. However, there is a risk that the subsidiaries will not commence revenue-generating activities and that the carrying amount of the investments exceed the recoverable amount. The Board have assessed the recoverability of these loans and consider that a provision of £10,095,677 (2010: £nil) should be recognised in the period.

20. SUBSIDIARIES

The Company had investments in the following subsidiary undertakings as at 31 December 2011 which principally affected the losses and net assets of the Group:

	Place of incorporation (or registration) and operation	Proportion of ownership interest	Proportion of voting power held	Principal activity
Directly owned:				
VANE Minerals (UK) Limited	UK	100%	100%	Holding company
Indirectly owned:				
AVEN Associates LLC	USA	100%	100%	Exploration
VANE Minerals (US) LLC	USA	100%	100%	Exploration
Minerales VANE SA de CV	Mexico	100%	100%	Mining
Minerales VANE Operaciones SA de CV	Mexico	100%	100%	Mining

JOINT VENTURES

Arizona project

On 5 September 2008 the Group entered into a Mining Venture Agreement with Uranium One Exploration U.S.A Inc. ('U1'). The terms of this agreement created an equal Joint Venture Agreement ('JVA') between VANE Minerals (US) LLC ('VANE') and U1, combining interests in over 60 breccia pipe targets, including 10 known mineralized pipes, in northern Arizona. The JVA also secured access to Uranium One's Ticaboo Mill in Utah for ore developed on JV properties.

The aggregate amounts related to the joint venture included within the consolidated accounts are:

	2011 £	Restated 2010 £
Non-current assets	1,380,460	937,605
Current assets	32,373	32,408
Current liabilities	(828,651)	(456)
Expenses	(63,601)	(82,328)

Wate Mining Company LLC

On 23 February 2011 the Group entered into a further JV operating agreement with U1 by which further study, exploration and development of the Wate breccia pipe, identified under the 2008 JVA, would be conducted by means of a limited liability company, Wate Mining Company LLC. ('Wate'). Each party to the joint venture has equal control of the Company.

The aggregate amounts related to the joint venture included within the consolidated accounts are:

	2011 £	2010 £
Non-current assets	172,621	-
Current assets	44,559	-
Current liabilities	(1,416)	-
Expenses	(3,268)	-

Ruiz joint venture

In December 2010 the Group entered into a JVA with Jose Ruiz Armenta and Jesus Hector Ruiz Armenta ('MET-SIN') in relation to gold and silver mining activities in Mexico.

Under the terms of the agreement:

- VANE would operate all mining activities and would pay MET-SIN for its services as mining contractors;
- VANE would provide the capital necessary to acquire, explore and develop mining projects. VANE would recover any capital cost at the rate of 150 per cent of the original cost ('recoverable amount');
- Once a property becomes operational the gross margin earned would be allocated on the basis of 60 per cent to VANE and 40 per cent to MET-SIN; and
- MET-SIN would receive 20 per cent profit on presentation of an invoice and the other 20 per cent would be allocated against VANE capital expenditure until the recoverable amount was nil. Thereafter, the full 40 per cent would become due on presentation of an invoice.

VANE exercises control over the activities of the JV and the Group has accounted for the operations on the basis of a profit share agreement. Therefore, revenue and cost of sales are recognised in full in the consolidated financial statements.

21. INVENTORIES

	Group	
	2011	2010
	£	£
Raw materials	147,491	426,495
Work in progress	216,229	5,663
	363,720	432,158

During the year £1,793,932 of inventories was expensed (2010: £1,521,832) to the income statement.

22. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Trade receivables	139,067	159,221	-	612
Amounts owed by Group companies	-	-	75,807	74,655
Amounts owed by joint venture partners	783,916	-	-	-
VAT recoverable	56,925	221,055	4,845	4,964
Other receivables	153,228	69,011	3,000	-
Prepayments	37,579	55,335	15,016	12,863
	1,170,715	504,622	98,668	93,094

Trade receivables principally comprise amounts receivable from the sales of minerals. The average credit period for trade receivables is 14 days (2010: 22 days). No interest is charged on trade receivables.

The Directors consider that the carrying amount of trade and other receivables approximates their fair value. None of the other receivables is past due or impaired.

23. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 December 2011 of £2,299,546 and £1,038,328 (2010: £2,750,399, £2,020,526) comprise cash held by the Group and the Company respectively. The Directors consider that the carrying amount of these assets approximate to their fair value.

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Trade payables	95,465	182,244	6,925	22,466
Taxes and social security	13,681	5,045	-	-
Amounts due to joint venture partners	823,828	-	-	-
Other payables	77,619	-	-	-
Accruals	566,853	451,432	80,490	84,192
	1,577,446	638,721	87,415	106,658

Trade payables and accruals principally comprise amounts outstanding for trade purchases and on-going costs. The average credit period taken for trade purchases is 29 days (2010: 19 days). The Group has financial risk management policies to ensure that all payables are paid within the credit timeframe.

The Directors consider that the carrying amount of trade and other payables approximates to their fair value. No interest is generally charged on balances outstanding.

25. CONVERTIBLE LOAN NOTES

The Company issued two convertible loan notes in 2007. The notes are convertible into Ordinary Shares of the Company at any time up to the maturity dates of 31 May 2012 and 30 September 2012. The exercise price is 22.75p per share for the £500,000 loan and 29p per share for the £1,000,000 loan.

If the notes have not been converted they will be redeemed at par in May and September 2012 respectively. interest is paid six monthly until the notes have been converted or redeemed.

The net proceeds received from the issue of the convertible loan notes have been split between the financial liability element and an equity component, representing the fair value of the embedded option to convert the liability into equity Ordinary Shares. The equity component of £261,220 has been credited to equity reserve (see note 29).

	Group and Company	
	2011	2010
	£	£
Liability component at 1 January	1,455,380	1,429,985
Interest charged	147,919	145,176
Interest paid	(119,890)	(119,781)
Liability component at 31 December	1,483,409	1,455,380

The interest expensed for the year is calculated by applying an effective interest rate to the liability component. For the loans in issue, the relevant interest rates were 9.82% on the £1,000,000 loan and 10.8% on the £500,000 loan. The liability component is measured at amortised cost. The difference between the carrying amount of the liability component at the date of issue and the amount reported in the balance sheet at 31 December 2011 represents the effective interest rate less interest paid to that date.

26. DEFERRED TAX

There are unrecognised deferred tax assets in relation to:-

	2011	Restated 2010
	£	£
UK tax losses	3,098,304	2,828,473
US tax losses	3,512,949	2,649,419
	6,611,253	5,477,892

The movement in the deferred tax balance was as follows:

	2011	2010
	£	£
At 1 January	113,741	320,295
Release to income for the year	(85,077)	(297,288)
Charge to statement of changes in equity	(32,340)	86,598
Exchange difference	16,199	4,136
At 31 December	12,523	113,741

The deferred tax assets and deferred tax liabilities have been netted off against each other on the Balance Sheet.

The analysis of the deferred tax balance is as follows:-

	2011 £	2010 £
Mexico trading losses provided as deferred tax assets	(65,713)	(229,762)
Mexico business combinations deferred tax liability	78,236	343,503
	12,523	113,741

The deferred tax asset is in relation to tax losses available to be carried forward in Minerals VANE SA De CV. These losses are available for relief for a period of up to 10 years against profits of the same trade.

The unrecognised deferred tax asset in relation to tax losses in the Company at 31 December 2011 was £123,372 (2010: £106,895).

27. PROVISIONS

	Group Decommissioning Costs	
	2011 £	2010 £
At 1 January	45,375	41,250
Increase in provision for the year	14,987	4,125
Exchange differences	(5,852)	-
At 31 December	54,510	45,375

In accordance with the Group's environmental policy and applicable legal requirements, the Group expects to restore sites where it has carried on activities, following final conclusion of those activities. Accordingly a provision is required to cover the decommissioning costs for the Ore processing mill and operating mines.

Due to the nature of the operations, it is not possible to specify when these provisions will be reversed. The Directors' assumptions are that restoration of the mine sites will not take place for at least a further twelve months, and the processing mill has a life of 8 years.

28. SHARE CAPITAL

	Group and Company	
	2011 £	2010 £
Authorised:		
7,779,297,310 Ordinary Shares of 0.1p each	7,779,297	7,779,297
190,108,108 Deferred Shares of 9.9p each	18,820,703	18,820,703
	26,600,000	26,600,000
Allotted, issued and fully paid:		
442,923,658 Ordinary Shares of 0.1p each	442,924	326,924
190,108,108 Deferred Shares of 9.9p each	18,820,703	18,820,703
	19,263,627	19,147,627

The Deferred Shares are not listed on AIM, do not give the holders any right to receive notice of, or to attend or vote at, any general meetings, have no entitlement to receive a dividend or other distribution or any entitlement to receive a repayment of nominal amount paid up on a return of assets on a winding up nor to receive or participate in any property or assets of the Company. The Company may, at its option, at any time redeem all of the Deferred Shares then in issue at a price not exceeding £0.01 from all share holders upon giving not less than 28 days notice in writing.

Issued Ordinary Share capital

On 27 October 2011, the Company completed a placing of 116,000,000 Ordinary Shares of 0.1p each at a price of 1p per share.

	Ordinary Shares Number
At 1 January 2010	190,108,108
Allotment of shares	136,815,550
At 1 January 2011	326,923,658
Allotment of shares	116,000,000
At 31 December 2011	442,923,658

29. OTHER RESERVES

	Group and Company	
	2011	2010
	£	£
At 1 January and 31 December	261,220	261,220

This reserve represents the equity component of the issued convertible loan notes (see note 25).

30. SHARE-BASED PAYMENTS

EQUITY SETTLED SHARE OPTION PLAN

The Company has a Share Option Plan under which options to subscribe for the Company's shares have been granted to certain Directors and to selected employees and consultants. The VANE Minerals plc Share Option Plan was adopted by the Company on 25 May 2004.

At 31 December 2010, 14,500,000 options had been granted under the terms of the Share Option Plan and not exercised.

On 28 September 2011 the Share Option Plan was amended by a resolution of the Remuneration Committee by which the existing options ('old options') were cancelled and replaced with new options ('replacement options'). These options were granted with a new exercise price based on the current market value of each Ordinary Share in the Company and were deemed to vest immediately.

On 30 September 2011 the Company issued a further 11,600,000 share options which vest as follows:

- 2,100,000 share options vest on 29 September 2012; and
- 9,500,000 share options vest in three equal tranches on 1 September 2012, 2013 and 2014.

The Company has no legal or constructive obligation to repurchase or settle the options in cash. The latest date for exercise of the options is 29 September 2021 and the options are forfeited if the employee or consultant leaves the Group before the options vest.

Details of the share options outstanding at the end of the year were as follow:

	2011		2010	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at 1 January	14,500,000	10.2p	14,500,000	10.3p
Cancelled	(14,500,000)	10.2p	-	-
Replaced	14,500,000	1.125p	-	-
Granted	11,600,000	1.125p	-	-
Forfeited/lapsed	-	-	-	-
Exercised	-	-	-	-
Outstanding at 31 December	26,100,000	1.125p	14,500,000	10.2p
Exercisable at 31 December	14,500,000	1.125p	4,600,000	11.0p

The options outstanding at 31 December 2011 had an estimated weighted average remaining contractual life of 5.6 years (2010: 5.4 years).

The incremental fair value of the replacement options, and the fair value of the options issued during the year has been calculated using the Black Scholes model. The significant inputs into the model for the IFRS2 valuation were as follows:

	Replacement Options	Grants in year
Exercise price	1.125p	1.125p
Expected volatility (%)	69	65 - 67
Expected life (years)	5	5.46 – 6.46
Risk free rates (%)	1.44	1.54 – 1.77
Expected dividends	-	-
Performance condition	None	None
Weighted average share price	1.125p	1.125p

Expected volatility was calculated by considering VANE Minerals plc share price movements over a period commensurate with the expected term immediately prior to grant date.

The fair value of options granted during the year was £77,913 (2010: £nil) and the incremental fair value of the replacement share options was £93,136 (2010: £nil).

In the year ended 31 December 2011 the Company recognised a total expense of £123,803 (2010: £30,540) related to equity-settled share-based payment transactions (see note 30).

31. COMMITMENTS UNDER OPERATING LEASES

LESSEE ACTIVITY

Operating lease payments represent total rentals payable by the Group for certain of its mining sites.

	Group	
	2011 £	2010 £
Land and buildings		
Amounts due within one year	125,698	112,163
Amounts due in 2-5 years	489,324	330,214
Amounts due after 5 years	120,041	2,214
	735,063	444,591

There were no commitments under operating leases in relation to the Company at 31 December 2011 (2010: £nil).

32. FINANCIAL INSTRUMENTS

CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns, while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2010.

The capital structure of the Group consists of net debt (borrowings, as detailed in note 25, offset by cash and cash equivalents) and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Group is not subject to externally imposed capital requirements.

The Group plans its capital requirements on a regular basis and as part of this review the Directors consider the cost of capital and the risks associated with each class of capital.

SIGNIFICANT ACCOUNTING POLICIES

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3.

CATEGORIES OF FINANCIAL INSTRUMENTS

	2011 £	2010 £
Financial assets measured at amortised cost		
Cash and cash equivalents	2,299,546	2,750,399
Trade receivables	139,067	159,221
Amounts owed by joint venture partners	783,916	-
Other receivables	153,228	-
	3,375,757	2,909,620
Financial liabilities measured at amortised cost		
Trade payables	95,465	182,244
Amounts due to joint venture partners	823,828	-
Other payables	77,619	-
Convertible loan notes	1,483,409	1,455,380
	2,480,321	1,637,624

FINANCIAL RISK MANAGEMENT OBJECTIVES

Management provides services to the business, co-ordinates access to domestic and international financial markets and monitors and manages the financial risks relating to the operations of the Group. These risks include foreign currency risk, credit risk, liquidity risk and cash flow interest rate risk.

The policies for managing these risks are regularly reviewed and agreed by the Board.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

FOREIGN EXCHANGE RISK AND FOREIGN CURRENCY RISK MANAGEMENT

The Group undertakes certain transactions denominated in foreign currencies, with the result that exposures to exchange rate fluctuations arise.

The Group does not normally hedge against the effects of movements in exchange rates. The Group policy is not to repatriate any currency where there is the requirement or obligation to spend in the same denomination. When foreign exchange is required the Company purchases using the best spot rate available, however with the discretion of the Board and upon advice by its bankers, the Group will occasionally purchase US dollars for placement on deposit.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2011	2010	2011	2010
	£	£	£	£
Pound sterling	-	-	-	-
US dollars	-	-	1,152,313	374,536
Mexican pesos	-	-	-	-

Foreign currency sensitivity analysis

The functional currencies of the Group companies are Pound Sterling (GBP), US dollars (USD) and Mexican Pesos (MXN). The financial statements of the Group's foreign subsidiaries are denominated in foreign currencies.

The Group is exposed primarily to movements in USD, the currency in which the Group receives its revenue, against other currencies, in which the Group incurs liabilities and expenditure.

The Group is exposed to foreign currency risk arising from recognised assets and liabilities as well as commitments arising from future trading transactions.

Sensitivity analyses have been performed to indicate how the profit or loss would have been affected by changes in the exchange rate between GBP, MXN and USD. The analysis is based on a weakening and strengthening of USD, in which the Group has significant assets and liabilities at the end of each respective period, by ten per cent against GBP and MXN. A movement of ten per cent reflects a reasonably positive sensitivity when compared to historical movements over a three to five year timeframe. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a ten per cent change in foreign currency rates.

The table below details the Group's sensitivity to a ten per cent decrease in USD against GBP and MXN. A positive number below indicates an increase in profit where USD weakens ten per cent against GBP and USD. For a ten per cent strengthening of USD there would be an equal and opposite impact on the profit, and the balance below would be negative.

	2011	2010
	£	£
Income statement	115,181	79,279

INTEREST RATE RISK MANAGEMENT

The Group's policy on interest rate management is agreed at Board level and is reviewed on an on-going basis.

The Group needs ready access to its funds to develop opportunities as they arise, and therefore surplus funds can only be invested over the short to medium-term. The best rates are obtained given the future requirements for access to the funds, and deposits are placed for three months where the Board considers it prudent to do so. A five per cent fluctuation in interest rates applied to cash balances held at the reporting date would impact the Group by approximately £114,977 (2010: £137,520) over a twelve month period.

The Group has no substantial exposure to fluctuating interest rates on its liabilities. The interest rates for the convertible loan notes have been fixed from commencement of the agreements. The Group has no other liabilities which attract interest charges.

LIQUIDITY RISK MANAGEMENT

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flow.

CREDIT RISK MANAGEMENT

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group does not have any significant credit risk exposure on trade receivables.

The Group makes allowances for impairment of receivables where there is an identified event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

The credit risk on liquid funds (cash) is considered to be limited because the counterparties are financial institutions with high and good credit ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk.

COMMODITY PRICE RISK

Inventories represent ore and concentrate already mined. The Group has exposure to risks in respect of the market price at date of sale of the minerals and the currency risk arising from the difference between the currency of the amount due (normally US Dollars) and pound sterling (being the currency in which the Group financial statements are prepared).

The following table summarises the impact of increases/decreases in the commodity price of gold and silver, these being the two precious metals, the sale of which comprises all of the Group's revenue. The assumption is that the sale of precious metals is split 37% gold and 63% silver, and price variances are calculated from the historical values experienced during the appropriate year.

The variances have been calculated as follows:

	Year USD	High USD	Low USD	Average USD	High variance USD	Low variance USD
Gold						
	2010	1421	1058	1225	16%	14%
	2011	1895	1319	1572	21%	16%
Silver						
	2010	30.7	15.14	20.19	52%	25%
	2011	48.7	26.68	35.12	39%	24%

Commodity	2011 Variance	2011 Impact on revenue and pre-tax loss/equity £	2010 Variance	2010 Impact on revenue and pre-tax loss/equity £
Gold	+21%	480,759	+16%	135,566
	-16%	(375,298)	-14%	(105,503)
Silver	+39%	519,159	+52%	819,583
	-24%	(322,609)	-25%	(394,129)

33. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

There were no transactions with related parties who are not members of the Group.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

The remuneration of key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	2011		2010	
	Purchase of services £	Amounts owing £	Purchase of services £	Amounts owing £
Short-term employee benefits	304,687	-	335,651	-
Consultancy payments	93,884	14,321	114,089	50,434
Post-employment benefits	-	-	10,000	-
Share-based payments	87,648	-	30,540	-
	486,219	14,321	490,280	50.434

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

DIRECTORS' EMOLUMENTS

Remuneration paid to Directors during the year was as follows:

	2011				
	Annual salary entitlement £	Emoluments[1] taken £	Consultancy £	Pension £	Total £
Executive Directors					
SD Van Nort	24,000	-	45,873	-	45,873
LC Arnold	24,000	-	48,011	-	48,011
MC Idiens	100,000	103,475	-	10,000	113,475
KK Hefton	100,000	119,457	-	-	119,457
DJ Newton	110,000	36,846	-	3,667	40,513
Non-executive Directors					
Sir Richard Needham	20,000	20,000	-	-	20,000
	378,000	279,778	93,884	13,667	387,329

	2010				
	Annual salary entitlement £	Emoluments[1] taken £	Consultancy £	Pension £	Total £
Executive Directors					
SD Van Nort	24,000	-	55,536	-	55,536
LC Arnold	24,000	-	58,553	-	58,553
MC Idiens	100,000	103,209	-	10,000	113,209
KK Hefton	101,274	122,569	-	-	122,569
Non-executive Directors					
Sir Richard Needham	20,000	20,000	-	-	20,000
DRB Ingmire	24,000	10,000	-	-	10,000
	293,274	255,778	114,089	10,000	379,867

[1]Emoluments include benefits-in-kind

The remuneration of Directors and key executives is decided by the remuneration committee having regard to comparable market statistics.

SD Van Nort and LC Arnold waived their annual salary entitlement in the current and prior year to aid the cash flow of the Group.

Directors share options are detailed in the Directors Report.

Directors' pensions

	2011 No	2010 No
The number of Directors to whom retirement benefits are accruing under money purchase schemes was	2	1

Notice is hereby given that the Annual General Meeting of the Company will be held at the offices of Allenby Capital Limited, Claridge House, 32 Davies Street, Mayfair, London, W1K 4ND on 31 May 2012 at 10.00 AM at which the following matters will be dealt with:

ORDINARY BUSINESS

1. To receive the Reports of the Directors and Auditors and the Financial Statements for the year ended 31 December 2011.
2. To re-elect David Newton as a Director of the Company.
3. To re-elect Kris Hefton as a Director of the Company.
4. To re-elect Richard Needham as a Director of the Company.
5. To re-appoint Baker Tilly UK Audit LLP as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at which accounts are laid before the Company.
6. To authorise the Directors to agree the remuneration of the auditors.

SPECIAL BUSINESS

As Special Business to consider and, if thought fit, to pass the following resolutions, of which resolution number 7 will be proposed as an ordinary resolution and resolution number 8 will be proposed as a special resolution:

7. That for the purposes of Section 551 of the Companies Act 2006 ('the Act') (and so that expressions defined in that Section shall bear the same meanings as in this Resolution) the Directors be, and they are, generally authorised to allot relevant securities up to a maximum nominal amount of £108,974.66 to such persons at such times and on such terms as they think proper during the period expiring on the date of the next Annual General Meeting after the passing of this Resolution (or any adjournment thereof) save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.
8. That the Directors be and they are hereby generally authorised to allot for cash or otherwise equity securities (as defined in Section 560 of the Act) of the Company pursuant to the authority conferred by Resolution 7 above as if Section 561 of the Act did not apply to such allotment provided that this power shall be limited:
    a. to the allotment of equity securities in connection with a rights issue, open offer or otherwise in favour of the holders of Ordinary Shares of 0.1 pence each ('Ordinary Shares') 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;
    b. to the allotment of equity securities pursuant to the terms of any share schemes for Directors and employees of the Company or any of its subsidiaries; and
    c. to the allotment otherwise than pursuant to subparagraphs (a) and (b) above of equity securities not exceeding in aggregate the nominal amount of £16,346.18.

provided further that the authority hereby granted shall expire at the conclusion of the next Annual General Meeting after the passing of this Resolution (or any adjournment thereof) save that the Directors shall be entitled to make at any time before the expiry of the power hereby conferred any offer or agreement which might require equity securities to be allotted after the expiry of such power.

By Order of the Board

Ian McNeill
Company Secretary

VANE Minerals plc
Metic House
Ripley Drive
Normanton
WF6 1QT

Notes:

Entitlement to attend and vote

1 Only those members registered on the Company's register of members at:

- 6.00 pm on 29 May 2012; or,
- if this Meeting is adjourned, at 6.00 pm on the day two days prior to the adjourned meeting,

shall be entitled to attend and vote at the Meeting.

Website giving information regarding the Meeting

2 Information regarding the Meeting, including the information required by section 311A of the Companies Act 2006, is available from www.vaneminerals.com.

Appointment of proxies

3 A member is entitled to attend, speak and vote at the above meeting and is entitled to appoint one or more proxies to attend, speak and vote in his stead. A proxy need not be a member of the Company. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

4 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, each different proxy appointment form must be received by Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not less than 48 hours before the time appointed for the meeting.

5 A vote withheld is not a vote in law which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

6 A prepaid form of proxy is enclosed. To be valid any form of proxy and power of attorney or other authority under which it is signed or a notarially certified or office copy of such power of authority must be lodged with the Company's Registrars Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU so as to be received not less than 48 hours before the time appointed for the meeting or any adjourned meeting. The return of a form of proxy will not preclude a member from attending and voting at the meeting in person should he subsequently decide to do so.

7 CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

8 In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited’s (EUI) specifications and must contain the information required for such instructions, as described in the CREST manual. The message must be transmitted so as to be received by the issuer's agent (Capita Registrars, ID RA10) not less than 48 hours before the time appointed for the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

9 CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST proxy instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

10 The Company may treat as invalid a CREST proxy instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

11 In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Changing proxy instructions

12 To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita Registrars on 0871 664 0300 in the UK (Calls cost 10p per minute plus network extras). If calling from overseas please call +44 (0)20 8639 3399 lines are open 8.30am to 5.30pm.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

13 In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. no later than 48 hours prior to the meeting.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Corporate representatives

14 A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

Issued shares and total voting rights

15 As at 6:00pm on 16 April 2012, the Company's issued share capital comprised 442,923,658 Ordinary Shares of 0.1p each. Each Ordinary Share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 6:00pm on 16 April 2012 is 442,923,658. The website referred to in note 2 will include information on the number of shares and voting rights.

Communication

16 Except as provided above, members who have general queries about the Meeting should contact the Company Secretary at VANE Minerals plc, Metic House, Ripley Drive, Normanton, WF6 1QT or on 01924 227228 (no other methods of communication will be accepted). You may not use any electronic address provided either:

- in this notice of annual general meeting; or
- any related documents (including the chairman's letter and proxy form),

to communicate with the Company for any purposes other than those expressly stated.

Head Office

Metic House
Ripley Drive
Normanton
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WF6 1QT
UK

US Office

AVEN associates LLC
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#131
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Minerales VANE SA de CV

Humboldt No. 21
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