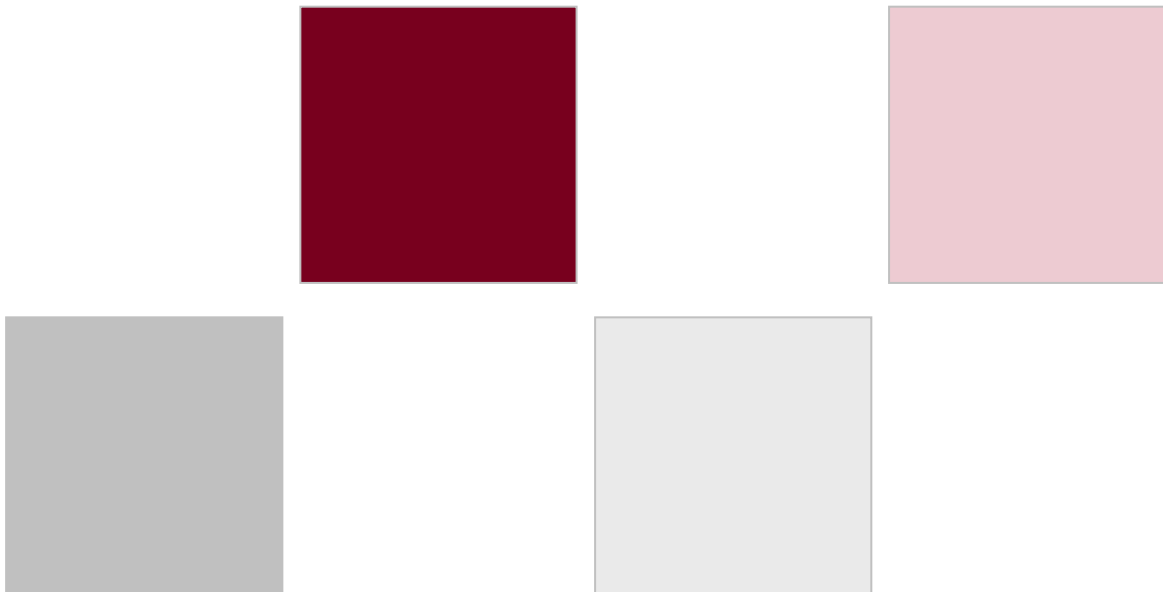




REPORT & FINANCIAL STATEMENTS

Year ended 31 December 2012



DIRECTORS, ADVISORS AND OFFICERS

DIRECTORS

Rt Hon Earl of Kilmorey PC (formerly Sir Richard Needham)	Non-Executive Chairman
MC Idiens	Non-Executive Director
DJ Newton	Chief Executive Officer
KK Hefton	Chief Operating Officer
SD Van Nort	Executive Director
LC Arnold	Executive Director

SECRETARY

IH McNeill

REGISTERED OFFICE

Metic House
Ripley Drive
Normanton
West Yorkshire
WF6 1QT

AUDITOR

Baker Tilly UK Audit LLP
2 Whitehall Quay
Leeds
LS1 4HG

SOLICITORS

Memery Crystal LLP
44 Southampton Buildings
London
WC2A 1AP

REGISTRARS

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

NOMINATED ADVISER AND JOINT BROKER

Allenby Capital Limited
3 St Helen's Place
London
EC3A 6AB

JOINT BROKER

Northland Capital Partners Ltd
60 Gresham Street
London
EC2V 7BB

FINANCIAL PUBLIC RELATIONS

Bankside Consultants Ltd
6 Middle Street
London
EC1A 7PH

BANKERS

Barclays Bank Plc
Level 27
1 Churchill Place
London
E14 5HP

Financial highlights

- Revenue increased by 56.6% to £5.76 million (2011: £3.68 million)
- Maiden annual profit before tax of £0.05 million (2011: £1.53 million loss before tax)
- Repayment of £500,000 of convertible loan stock with remaining £1 million of convertible loan stock re-negotiated for a further five years at a coupon of 8% and a conversion price of 1.25p per Ordinary Share
- Cash balances of £0.53 million as at 31 December 2012 (2011: £2.30 million)

Mexico

Silver/gold production and milling

- Increased revenues and profitability at operations level
- 4,341 oz. Au and 85,241 oz. Ag produced in 2012 at a direct production cost of \$682.33 equivalent per oz. Au; or \$12.62 equivalent per oz. Ag (2011: 2,706 oz. Au and 73,384 oz. Ag produced at a direct production cost of \$743.45 equivalent per oz. Au; or \$16.23 equivalent per oz. Ag)
- 32,070 tonnes processed in period (106.9% of target) (2011: 31,466 tonnes)
- Average grades 6.07g/T Au and 121g/T Ag (2011: 4.4g/T Au and 131g/T Ag)
- Average metal price received on sales of concentrates was \$1,662/oz. gold and \$30.7/oz. silver (2011: average prices of \$1,617/oz. gold and \$35.9/oz. silver)
- Average recovery rate of 79% Au and 77% Ag (2011: 73% Au and 69% Ag)

U.S.A

Copper portfolio

- Copper-molybdenum porphyry system successfully drilled at McGhee Peak. Two mineralised targets have been identified, located approximately one mile apart, within a clearly identified porphyry system, containing copper, molybdenum and zinc.
- Property positions also established at Bouse, Lone Hills and Cherry Creek
- Initial exploration work at Bouse has produced strong anomalous gold and copper values
- Partner sought to help fund proposed exploration programme

Uranium portfolio

- U.S. Government confirmed withdrawal of over 1 million acres of Federal lands from exploration and mining activity. VANE has initiated legal action seeking redress
- VANE assumes management of Wate Mining Company LLC (Member companies VANE and Uranium One each holding 50%) which includes NI 43-101 compliant inferred resource of 1.118m lbs eU₃O₈ at Wate breccia pipe project
- Mineral Lease application filed with respect to the Wate Project
- Remaining exploration programme placed on care and maintenance
- Intention to sell assets announced

Post year-end Board changes

- Matthew Idiens to replace David Newton as CEO

VANE Minerals plc

CHAIRMAN'S STATEMENT

I am pleased to announce that 2012 was the year that VANE declared its maiden profit before tax. This is as a result of our Mexican subsidiary, Minerales VANE, making significant progress in increasing its financial contribution to the Group. During the course of 2012, the Company had 11 months of production from our joint venture with Met-Sin and one month of production from our 100%-owned Diablito Mine. As a result, grades and recovery rates improved leading to substantially more revenue being generated and this is reflected in the Company's financial results for the year. Minerales VANE is expected to continue to perform strongly, generating significant cash resources for the Group.

In January 2012, the U.S. Secretary of the Interior announced the anticipated withdrawal from uranium exploration and mining of one million acres of federal lands in northern Arizona where VANE holds substantial interests. VANE has since initiated legal proceedings against the U.S. Department of the Interior with a claim for damages caused by this decision. A resolution to these legal proceedings is expected later in 2013.

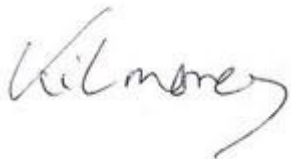
The majority of VANE's uranium exploration assets are held within its joint venture with Uranium One. In consequence of this withdrawal of Federal lands, the joint venture decided to place all of these uranium exploration assets on a programme of care and maintenance, with the exception of Wate project which has a NI 43-101 Inferred Resource of 1.118M lbs eU₃O₈. VANE assumed operational control of this project during 2012 and successfully submitted a Mineral Lease application with approval expected during 2014.

Since the year end, VANE has announced that it is seeking to sell its uranium assets and we will announce further information at the appropriate time.

VANE has also announced that the Company's U.S. porphyry copper exploration programme is best advanced by seeking to attract external third parties to help finance the proposed programme. The targets developed by the programme require additional funding beyond the present funding capabilities of the Company. This is expected to be through direct finance into either the individual exploration targets or into AVEN Associates LLC, the Company's wholly-owned subsidiary that holds the copper assets. Such financing would allow the Company to accelerate its exploration programme over and above what is currently achievable from VANE's existing resources. This process is underway and further information will be announced as it becomes available. In the meantime, the proposed exploration programme has been paused whilst the search for an appropriate partner to help provide these additional resources continues.

Post the year-end we announced that David Newton is stepping down as CEO from 31 July 2013 and we are pleased to announce that he is being replaced in that role by Matthew Idiens, a long-serving director of VANE.

We would like to thank our investors for their continuing support. We look forward to updating you with our progress throughout the rest of 2013.



Rt Hon Earl of Kilmorey PC
4 June 2013

REVIEW OF OPERATIONS

Production of gold and silver from our Mexico business improved significantly throughout 2012 and this is reflected in the financial results for the year, with the Company declaring its maiden profit before tax. Production has focussed on ore from our joint venture with Met-Sin with this ore providing production for eleven months of the year. Throughout 2012, production from the joint venture came from the La Colorada concession, being one of a number of mines within the joint venture area, and revenues rose as a result of substantially higher grades being mined and recovery rates improving at our SDA Mill.

The copper exploration programme continued with targets being drilled at McGhee Peak, Peg Leg and Railroad Well and a clearly-identified copper porphyry system was successfully drilled at McGhee Peak. These assets are now held on a care and maintenance basis until third-party finance can be secured to continue with the programme.

Our uranium business has also been put on a programme of care and maintenance following the announcement by the U.S. Secretary for the Interior, Ken Salazar, that the most prospective Federal lands in northern Arizona were being withdrawn from new mining activity. Legal proceedings continue as VANE seeks compensation from the U.S. Department of the Interior for damages caused by this action.

Exploration, Mining and Milling Operations – Mexico

Minerales VANE SA de CV, VANE's 100% owned subsidiary of VANE Minerals plc, significantly improved its financial performance in 2012. Operations continue to be directed from the headquarters located in Acaponeta, Nayarit that include offices, living quarters and analytical facilities.

During the year, production originated largely from our joint venture with Met-Sin, 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 Met-Sin. The Colorada concession is currently in production and this has been the source of all joint venture ore for the SDA Mill in 2012. Three additional concessions, Maria Fernanda, Valenzuela and Jorge Luis cover three partly developed high-grade veins that will be developed at the appropriate time.

An amendment to the terms of the joint venture was announced in November 2012, changing the main financial term of the joint venture to a 50:50 profit split. Met-Sin further stated that it will construct a 100-300 tpd (tonne per day) processing mill in La Rastra solely at its own expense, with construction expected to commence during 2013. Any excess production from joint venture mines, over and above that required to adequately feed VANE's existing SDA Mill, may be processed through the new La Rastra mill, thus enabling production and joint venture revenues to increase.

VANE announced previously that it intended to close its Diablito Mine during 2012 following the extraction of the remaining ore-grade material. During 2012, some 5,335 tonnes of ore were mined from Diablito, of which 2,748 tonnes were milled in June 2012. The remainder of the ore provides inventory should there be an interruption to supply from the joint venture mines. Diablito is not expected to be formally closed until later in 2013.

During the year, the SDA Mill treated 32,070 tonnes of ore (2011: 31,466 tonnes) and production averaged 2,672 tonnes per month (2011: 2,622 tonnes) or 106.9% of target (2011: 105%). Average grades of 6.07 g/T Au and 121 g/T Ag were achieved (2011: 4.4g/T Au and 131g/T Ag) with an average recovery rate of 79% Au and 77% Ag (2011: 73% Au and 69% Ag). 4,341 oz. Au and 85,241 oz. Ag were produced in total for 2012 (2011:

VANE Minerals plc

BUSINESS REVIEW

2,706 oz. Au and 73,384 oz. Ag) at a total production cost of \$682.33 per equivalent oz Au and \$12.62 per equivalent oz. Ag (2011: \$743.45 per equivalent oz. Au or \$16.23 per equivalent oz. Ag).

Southwest USA Copper Exploration

During 2012, the Company drilled its copper exploration targets at McGhee Peak, Peg Leg and Railroad. The drilling results at McGhee Peak confirmed that VANE had drilled into a clearly identified copper-molybdenum porphyry system that contains two mineralised zones, located approximately 1 mile apart. A follow-up diamond drilling programme is now required 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 might be discovered at McGhee Peak, but also because the discovery of this porphyry system provides confidence in the exploration techniques that VANE has been utilising in its exploration programme. Since the year end, VANE has announced that the Company's U.S. porphyry copper exploration programme, including the proposed diamond drilling programme at McGhee Peak, is best advanced by seeking to attract external third parties to help finance the proposed programme. The targets developed by the programme require additional funding beyond the present funding capabilities of the Company. This is expected to be through direct finance into either the individual exploration targets or into AVEN Associates LLC, the Company's wholly-owned subsidiary that holds the copper assets. Such financing would allow the Company to accelerate its exploration programme over and above what is currently achievable by VANE's existing resources. This process is underway and further information will be announced as it becomes available. In the meantime, the proposed exploration programme has been paused whilst the search for an appropriate partner to help provide these additional resources continues.

Uranium Exploration in the USA

The Company's uranium programme is led by the joint venture project with Uranium One Exploration U.S.A. Inc. (U1) in northern Arizona. All of the Company's uranium assets are currently held on a care and maintenance basis, other than set out below.

The most significant asset within the joint venture is the Wate Project which has a NI 43-101 compliant resource of 1.118m lbs eU₃O₈ with an average grade of 0.79% eU₃O₈. Ownership of the project is 50:50 between VANE and U1 and will remain 50:50 assuming that all development costs are split equally between the parties. The original joint venture agreement stated that VANE would manage the exploration stage of the project, but that on proving a NI 43-101 compliant resource of at least 1 million lbs eU₃O₈, U1 would take over the management of the project for the pre-development and development stages as the project is advanced towards production. However, VANE and U1 have now agreed (as announced on 6 June 2012) that the management of the pre-development and development stages of the Wate Project will be transferred to VANE with immediate effect. Following the transfer of the management of the Wate Project to VANE, an application has been submitted to obtain a Mineral Lease on the Wate project to the Arizona State Land Department (ASLD).

A Mineral Lease gives authority to develop the project contingent on obtaining environmental compliance permits from the Arizona Department of Environmental Quality (ADEQ). VANE has concluded pre-application conferences with ADEQ and is making arrangements with environmental consulting firms to handle the permit application and permitting process. According to ASLD and ADEQ, the timing for approval is 12-18 months from application for both processes, which can run simultaneously. VANE therefore anticipates that Wate Mining Company LLC will receive approval to commence development of the Wate project during 2014.

Legal Update

As previously announced, VANE has filed a lawsuit, as principal, in the U.S. Court of Federal Claims seeking redress on financial losses as a result of the withdrawal of the Federal lands where VANE held its mining claims on which it had invested substantially. In documents submitted to the Court, VANE represented that it invested US\$8.5M in its uranium program and that the U.S. Bureau of Land Management acknowledged that the withdrawal deprived VANE of at least one mine, with a net value of approximately \$80M. This claim was dismissed by the U.S. Court of Federal Claims on 30 May 2013 owing to a legal technicality regarding the filing of the original complaint and the company plans to re-file its claim forthwith. .

The Company continues to maintain that it followed established precedence in investing in its mining claims and was unaware that the DOI might take these lands without warning and without compensation for VANE's investment. Development of hard-rock minerals has long been undertaken through the unpatented mining claim system, which is the only avenue to obtain, control, and protect rights to develop hard-rock minerals on federal lands in the U.S. and has been and continues to be used extensively by corporations and individuals. The Directors believe that the recent developments in the legal proceedings support VANE's position.

FINANCIAL REVIEW

Revenue

Revenue for the year has been generated from both the Diablito Mine and the La Colorada concession joint venture mine. La Colorada accounted for the majority of this revenue with Diablito supplying ore for processing solely in the month of June. The Income Statement reports total revenue for the year ended 31 December 2012 of £5,759,225 (2011: £3,678,126). Revenue from the Met-Sin joint venture have remained robust due to consistent grades being achieved which were matched by improved recovery rates.

Income Statement

The Group reported a net loss after tax of £542,619 or 0.12p per share for the year ended 31 December 2012 (2011: net loss after tax of £1,603,980 or 0.46p). The Group reported a gross profit of £1,707,977 (2011: £569,522) after charging profit share payments due under the terms of the joint venture of £1,428,558 (2011: £633,996) and depreciation of £379,954 (2011: £653,281).

There has been no impairment of intangible exploration and evaluation assets during the year (2011: £nil). Impairment of property, plant and equipment resulted in a charge of £nil (2011: £457,131) relating to impairment of the Diablito Mine.

Other operating income of £55,435 relates to administrative services provided by the Group. Other operating income in 2011 of £109,691 related to the 50 per cent. uplift on capital expenditure incurred on the La Colorada concession under the terms of the Met-Sin joint venture of which there has been no expenditure in the current year.

Other gains and losses of £15,000 (2011: £nil) represents the gain on disposal of the Group's available-for-sale investment in Darley Energy plc, a mining and exploration company which was impaired in full at 31 December 2011.

Investment income representing interest received on the Group's cash balances was £5,959 (2011: £939).

Balance Sheet

Total investment in intangible assets at 31 December 2012 was £5,254,481 (2011: £4,865,067) reflecting the Group's continued investment in its mineral exploration programme, including the Wate Mining joint venture.

Property, plant and equipment at 31 December 2012 was £688,756 (2011: £944,953) reflecting the continued depreciation of the Diablito Mine and Ore processing mill.

Trade and other receivables of £702,541 (2011: £386,799) primarily represents amounts due in relation to trade receivables and VAT recoverable.

Cash and cash equivalents at 31 December 2012 were £529,367 (2011: £2,299,546). During the year the Group repaid £500,000 of its convertible loan notes and renegotiated the repayment terms of the remaining £1,000,000.

Trade and other payables of £688,005 (2011: £793,530) primarily represents amounts due in relation to trade payables.

Provision for decommissioning of the Diablito Mine has now been treated as a current provision as the restoration of the site is expected to take place within the next twelve months.

Significant equity events

During the year ended 31 December 2012, £190,004, being the equity component of all convertible loan notes redeemed, was transferred from other reserves to retained deficit.

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 enquiries 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 the 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

- 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. Political instability or changes in government law or policies could materially affect the rights and title to the interests held by the Group, and the operations and financial condition of the Group could be adversely affected.
- The U.S. Department of Interior has issued a 20-year withdrawal from mineral entry on approximately 1,000,000 acres in the northern Arizona's uranium breccia pipe district. This order prevents 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. The Group currently generates its income from activities at the La Colorada mine 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 the mine and has access to alternative contractors if required.
- 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 the Group's operations.
- 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 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 plant, the Merrill Crowe facility, is 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, MXN and USD. There is a risk that purchasing power in Mexico and the U.S. is lost through foreign exchange translation. The Group considers its foreign exchange risk to be a normal and acceptable business exposure and does not hedge against the risk.
- 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.

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.

VANE Minerals plc

BUSINESS REVIEW

Significant relationships

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

Key performance indicators

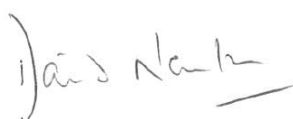
There are a number of key performance indicators that are reviewed regularly by the Board as set out below in respect of 2012.

Item	Actual	Target	Comment
Maintenance of mineral grades			
- Met-Sin JV	6.07g Au/121g Ag	6gAu/110g Ag	Production grades were in line with expectations
Recovery rates			
- Met-Sin JV	79.2%Au/77.2%Ag	75%Au/70%Ag	Recovery rates were significantly improved due to better processing techniques
Mill throughput monthly averages (tonnes)	2,672	2,500	Target achieved due to excellent performance at SDA by VANE's technical team

FUTURE DEVELOPMENTS

Your Board, management and dedicated exploration team continue to investigate and evaluate new opportunities designed to improve share price and, ultimately, shareholder value. The Company will continue to invest in its gold and silver operations in Mexico and intends to open additional mines in the next 12 months. The Directors will seek to progress the sale of its uranium assets, identify a partner to finance its copper exploration programme and consider corporate acquisitions

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



D J Newton
Chief Executive Officer

VANE Minerals plc

DIRECTORS' REPORT

The Directors present the annual report and financial statements of the Group for the year ended 31 December 2012. 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 2012 (2011: £nil).

Directors

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

Rt Hon Earl of Kilmorey PC (formerly Sir Richard Needham)
SD Van Nort
LC Arnold
MC Idiens
KK Hefton
DJ Newton

MC Idiens became a non-executive Director with effect from 1 October 2012.

Directors' interests in shares and share options

The Directors who held office at 31 December 2012 had the following interests, including family interests, in the Ordinary Shares of the Company as follows:

	Number of Ordinary Shares	
	31 December 2012	1 January 2012
Rt Hon Earl of Kilmorey PC (formerly Sir Richard Needham)	2,330,000	1,750,000
SD Van Nort	6,500,000 ¹	6,500,000 ¹
LC Arnold	10,500,000 ²	10,500,000 ²
MC Idiens	16,805,880	14,805,880
KK Hefton	116,000	116,000
DJ Newton	808,043	500,000

¹Beneficial interest held through the Van Nort Family Trust.

²Beneficial 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 2012 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
Rt Hon Earl of Kilmorey PC (formerly 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
Rt Hon Earl of Kilmorey PC (formerly Sir Richard Needham)	30 Sep 2011	250,000	1.125p	01/09/12 to 29/09/21

VANE Minerals plc

DIRECTORS' REPORT

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

The market price of the shares at 31 December 2011 and 31 December 2012 was 1.02p and 0.75p respectively and the average during the year was 0.92p.

Third party indemnity provision for Directors

The Company currently has in place, and had for the year ended 31 December 2012, 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 4 June 2013:

	Number of shares	Percentage of issued share capital
Edwin M P Farrant	19,200,000	4.33%
Roy Williams	15,515,000	3.50%

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 2012 were 44 days (2011: 29 days).

Post balance sheet events

Events after the balance sheet date have been disclosed in note 34 to the financial statements.

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.

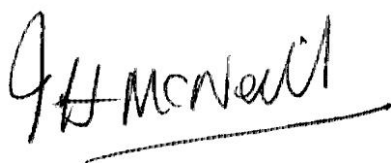
Statement as to disclosure of information to the auditor

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.

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
4 June 2013

VANE Minerals plc

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 four executive Directors and two non-executive Directors, one of whom 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, a non-executive Director, MC Idiens, and the non-executive Chairman, Rt Hon Earl of Kilmorey PC. 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, Rt Hon Earl of Kilmorey PC. 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;

CORPORATE GOVERNANCE STATEMENT

- 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") on pages 18 to 56. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of Directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 15, 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 financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and the parent's affairs as at 31 December 2012 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union
- the parent financial statements have been properly prepared in accordance with IFRSs 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.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 3 Significant Accounting Policies concerning the company's ability to continue as a going concern. The directors believe there is uncertainty over whether the company will generate sufficient funds to meet its liabilities as they fall due and are exploring other options such as the probable sale of non core assets and may also consider raising further funds from the market if the circumstances are appropriate at the time. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

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

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
Chartered Accountants
2 Whitehall Quay
Leeds
LS1 4HG

4 June 2013

VANE Minerals plc
CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2012

	Notes	2012 £	2011 £
Continuing operations			
Revenue	5	5,759,225	3,678,126
Cost of sales		(2,622,690)	(2,474,608)
Profit share payments	7	(1,428,558)	(633,996)
Gross profit		<u>1,707,977</u>	<u>569,522</u>
Operating expenses		(247,156)	(261,488)
Administrative expenses		(1,351,365)	(1,342,346)
Impairment of property, plant and equipment		-	(457,131)
Other operating income	8	55,435	109,691
Operating profit/(loss)		<u>164,891</u>	<u>(1,381,752)</u>
Investment income	9	5,959	939
Other gains and losses	10	15,000	-
Finance costs	11	(131,546)	(147,919)
Profit/(loss) before taxation	12	<u>54,304</u>	<u>(1,528,732)</u>
Taxation	15	(596,923)	(75,248)
Loss for the year attributable to owners of the parent company		<u>(542,619)</u>	<u>(1,603,980)</u>
Loss per Ordinary Share			
Basic and diluted	16	<u>(0.12p)</u>	<u>(0.46p)</u>

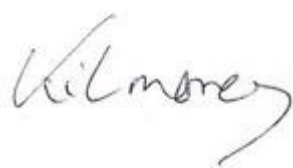
VANE Minerals plc
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 For the year ended 31 December 2012

	2012 £	2011 £
Loss for the year attributable to owners of the parent company	(542,619)	(1,603,980)
Other comprehensive income		
Exchange differences arising on translation of foreign operations	(183,248)	(200,224)
Income tax relating to components of other comprehensive income	229,165	32,340
	<u>45,917</u>	<u>(167,884)</u>
Total comprehensive income for the year attributable to owners of the parent company	<u>(496,702)</u>	<u>(1,771,864)</u>

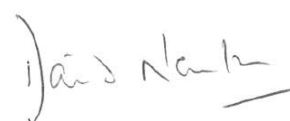
VANE Minerals plc
CONSOLIDATED BALANCE SHEET
As at 31 December 2012

	Notes	2012 £	2011 £
Non-current assets			
Intangible assets	17	5,254,481	4,865,067
Property, plant and equipment	18	688,756	944,953
		<u>5,943,237</u>	<u>5,810,020</u>
Current assets			
Inventories	21	704,187	363,720
Trade and other receivables	22	702,541	386,799
Cash and cash equivalents	23	529,367	2,299,546
		<u>1,936,095</u>	<u>3,050,065</u>
Total assets		<u>7,879,332</u>	<u>8,860,085</u>
Current liabilities			
Trade and other payables	24	(688,005)	(793,530)
Taxation		-	(2,640)
Provisions	27	(15,180)	-
		<u>(703,185)</u>	<u>(796,170)</u>
Non-current liabilities			
Convertible loan notes	25	(819,563)	(1,483,409)
Deferred tax	26	(40,460)	(12,523)
Provisions	27	(40,841)	(54,510)
		<u>(900,864)</u>	<u>(1,550,442)</u>
Total liabilities		<u>(1,604,049)</u>	<u>(2,346,612)</u>
Net assets		<u>6,275,283</u>	<u>6,513,473</u>
Equity			
Share capital	28	19,263,627	19,263,627
Share premium account		5,838,030	5,838,030
Share option reserve		457,090	396,679
Other reserves	29	269,317	261,220
Cumulative translation reserves		75,512	29,595
Retained deficit		(19,628,293)	(19,275,678)
Equity attributable to owners of the parent company		<u>6,275,283</u>	<u>6,513,473</u>

The financial statements on pages 18 to 56 were approved by the Directors and authorised for issue on 4 June 2013 and are signed on its behalf by:



Rt Hon Earl of Kilmorey PC, Chairman



DJ Newton, Chief Executive Officer

VANE Minerals plc
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2012

	Share capital	Share premium account	Share option reserve	Other Reserves (note 29)	Cumulative translation reserves	Retained deficit	Total
	£	£	£	£	£	£	£
As at 1 January 2011	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:							
Currency translation differences	-	-	-	-	(200,224)	-	(200,224)
Income tax	-	-	-	-	32,340	-	32,340
Total 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 1 January 2012	19,263,627	5,838,030	396,679	261,220	29,595	(19,275,678)	6,513,473
Loss for the year	-	-	-	-	-	(542,619)	(542,619)
Other comprehensive income:							
Currency translation differences	-	-	-	-	(183,248)	-	(183,248)
Income tax	-	-	-	-	229,165	-	229,165
Total other comprehensive income for the year	-	-	-	-	45,917	-	45,917
Total comprehensive income for the year	-	-	-	-	45,917	(542,619)	(496,702)
Share-based payments	-	-	60,411	-	-	-	60,411
Equity component of convertible loan note	-	-	-	198,101	-	-	198,101
Transfer to retained earnings in respect of equity component of convertible loan notes redeemed	-	-	-	(190,004)	-	190,004	-
As at 31 December 2012	19,263,627	5,838,030	457,090	269,317	75,512	(19,628,293)	6,275,283

VANE Minerals plc
CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2012

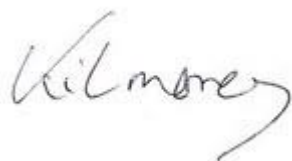
	2012 £	2011 £
Operating activities		
Profit/(loss) before taxation	54,304	(1,528,732)
Investment income	(5,959)	(939)
Finance costs	131,546	147,919
Adjustments for:		
Depreciation of property, plant and equipment	384,029	660,794
Profit on disposal of property, plant and equipment	(1,200)	-
Impairment of property, plant and equipment	-	457,131
Decommissioning	-	9,616
Share-based payments	60,411	123,803
Other gains and losses	(15,000)	-
Effect of foreign exchange rate changes	29,766	(158,953)
Operating inflow/(outflow) before movements in working capital	637,897	(289,361)
(Increase)/decrease in inventories	(340,467)	68,438
Increase in trade and other receivables	(664,562)	(826,417)
(Decrease)/Increase in trade and other payables	(22,462)	938,578
Cash used in operations	(389,594)	(108,762)
Income tax paid	(66,247)	(6)
Interest paid	(107,301)	(119,744)
Net cash used in operating activities	(563,142)	(228,512)
Investing activities		
Interest received	5,959	939
Purchase of property, plant and equipment	(106,964)	(173,557)
Purchase of intangible exploration and evaluation assets	(600,244)	(1,176,978)
Proceeds on disposal of property, plant and equipment	1,200	-
Proceeds on disposal of available-for-sale investment	15,000	-
Net cash used in investing activities	(685,049)	(1,349,596)
Financing activities		
Proceeds from issue of shares	-	1,160,000
Expenses of issue of shares	-	(74,833)
Redemption of convertible loan notes	(500,000)	-
Net cash (used in)/from financing activities	(500,000)	1,085,167
Net decrease in cash and cash equivalents	(1,748,191)	(492,941)
Cash and cash equivalents at beginning of year	2,299,546	2,750,399
Effect of foreign exchange rate changes	(21,988)	42,088
Cash and cash equivalents at end of year	529,367	2,299,546

VANE Minerals plc
COMPANY BALANCE SHEET
As at 31 December 2012

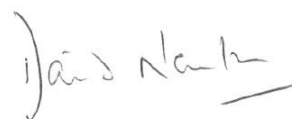
Company No 04573663

	Notes	2012 £	2011 £
Non-current assets			
Investments	19	7,545,335	7,263,307
Current assets			
Trade and other receivables	22	53,101	98,668
Cash and cash equivalents	23	17,869	1,038,328
		70,970	1,136,996
Total assets		7,616,305	8,400,303
Current liabilities			
Trade and other payables	24	(78,948)	(87,415)
Non-current liabilities			
Convertible loan notes	25	(819,563)	(1,483,409)
Total liabilities		(898,511)	(1,570,824)
Net assets		6,717,794	6,829,479
Equity			
Share capital	28	19,263,627	19,263,627
Share premium account		5,838,030	5,838,030
Share option reserve		457,090	396,679
Other reserves	29	269,317	261,220
Retained deficit		(19,110,270)	(18,930,077)
Total equity		6,717,794	6,829,479

The financial statements on pages 18 to 56 were approved by the Directors and authorised for issue on 4 June 2013 and are signed on its behalf by:



Rt Hon Earl of Kilmorey PC, Chairman



DJ Newton, Chief Executive Officer

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Share capital £	Share premium account £	Share option reserve £	Other reserves (note 29) £	Retained deficit £	Total £
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 1 January 2012	19,263,627	5,838,030	396,679	261,220	(18,930,077)	6,829,479
Loss for the year	-	-	-	-	(370,197)	(370,197)
Total comprehensive income for the year	-	-	-	-	(370,197)	(370,197)
Share -based payments	-	-	60,411	-	-	60,411
Equity component of convertible loan note	-	-	-	198,101	-	198,101
Transfer to retained earnings in respect of equity component of convertible loan notes redeemed	-	-	-	(190,004)	190,004	-
As at 31 December 2012	19,263,627	5,838,030	457,090	269,317	(19,110,270)	6,717,794

VANE Minerals plc
COMPANY CASH FLOW STATEMENT
For the year ended 31 December 2012

	2012 £	2011 £
Operating activities		
Loss from operations	(370,197)	(10,280,508)
Investment income	(225,321)	(202,036)
Finance costs	130,803	147,919
Adjustments for:		
Impairment of investments in subsidiary undertakings	300,000	10,095,677
Share -based payments	60,411	123,803
	<hr/>	<hr/>
Operating cash outflow before movements in working capital	(104,304)	(115,145)
Decrease/(increase) in trade and other receivables	45,567	(5,574)
Increase/(decrease) in trade and other payables	1,543	(19,390)
	<hr/>	<hr/>
Cash used in from operations	(57,194)	(140,109)
Interest paid	(106,558)	(119,743)
	<hr/>	<hr/>
Net cash used in operating activities	(163,752)	(259,852)
	<hr/>	<hr/>
Investing activities		
Interest received	4,882	550
Loans to subsidiary undertakings	(361,589)	(1,808,063)
	<hr/>	<hr/>
Net cash used in investing activities	(356,707)	(1,807,513)
	<hr/>	<hr/>
Financing activities		
Proceeds from the issue of shares	-	1,160,000
Expenses of issue of shares	-	(74,833)
Repayment of convertible loan notes	(500,000)	-
	<hr/>	<hr/>
Net cash (used in) from financing activities	(500,000)	1,085,167
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(1,020,459)	(982,198)
Cash and cash equivalents at beginning of year	1,038,328	2,020,526
	<hr/>	<hr/>
Cash and cash equivalents at end of year	17,869	1,038,328
	<hr/> <hr/>	<hr/> <hr/>

VANE Minerals plc
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

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 7 (amended 2011)	<i>Financial instruments disclosures: transfers of financial assets</i>
IAS 12 (amended 2011)	<i>Income taxes: deferred tax: recovery of underlying assets</i>

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 2011)	<i>Financial instruments disclosure: offsetting financial assets and financial liabilities</i>
IFRS 9	<i>Financial instruments</i>
IFRS 10	<i>Consolidated financial statements</i>
IFRS 11	<i>Joint arrangements</i>
IFRS 12	<i>Disclosure of interests in other entities</i>
IFRS 13	<i>Fair value measurement</i>
IAS 1 (amended 2011)	<i>Presentation of items of other comprehensive income</i>
IAS 19 (amended 2011)	<i>Employee benefits</i>
IAS 27 (amended 2011)	<i>Separate financial statements</i>
IAS 28 (amended 2011)	<i>Investments in associates and joint ventures</i>
IAS 32 (amended 2011)	<i>Financial instruments presentation: offsetting financial assets and financial liabilities</i>

Improvements to IFRS (May 2012)

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. It is anticipated that there will be no material impact as a result of the adoption of IFRS 11 *Joint arrangements*. A decision has not yet been made on the proposed accounting treatment of the Wate Mining LLC joint venture but the Mining Venture Agreement with Uranium One Exploration U.S.A Inc. ('U1') which will be classified as a joint operation which continue to be accounted for on the basis of proportionate consolidation. The Met Sin joint venture will continue to be treated as a profit share agreement.

VANE Minerals plc
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

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').

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

The Group currently generates cash through its 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. Whilst 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 USA activities are operating at a loss and the Directors believe that there is some uncertainty that the Group will generate sufficient funds to fully finance its exploration and development programme.

The Directors are, therefore, considering various options which would enable the Group to raise additional funds. A profit share agreement has been signed under which the extraction of remaining ore deposits in the Diablito mine will be financed by a third party and the net profits split 60:40 to the Group. In addition, the Directors are exploring other options such as the probable sale of non-core assets and may also consider raising further funds from the market if the circumstances are appropriate at the time. Discussions are well advanced in relation to the former option and the Board is in receipt of an offer for certain exploration assets and rights owned by the business which will provide access to funds in the short term to meet the Group's other commitments. The Board will keep shareholders apprised of these discussions and the implications for the Group in due course but are confident that these discussions will come to a successful conclusion.

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 can generate 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.

VANE Minerals plc
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

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, apart from the Met-Sin joint venture which has been accounted for as a profit share arrangement.

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

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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

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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

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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.

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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.

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.

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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.

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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 £5,254,481 (2011: £4,865,067) and no impairments were identified and recognised in the period (2011: £nil).

CARRYING VALUE OF PROPERTY, PLANT AND EQUIPMENT

The Directors have reviewed all available data and taken professional advice as required to consider the 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. At 31 December 2011, information available confirmed the estimate life remaining of 0.5 years as at that date.

At 31 December 2012, production at the Diablito Mine had ceased and at the current time the Directors have no plans to re-commence production. The Diablito Mine has, therefore, been depreciated in full during the year ended 31 December 2012.

The carrying amount of property, plant and equipment at the balance sheet date was £688,756 (2011: £944,953) and no impairment has been identified or recognised in the period (2011: £457,131).

RECOVERABILITY OF LOANS TO SUBSIDIARY UNDERTAKINGS

The Company has an outstanding loan from its directly held subsidiary which has then made a number of loans to its own subsidiaries as the primary method of financing the activity of those subsidiaries. The principal loan is shown in the Company balance sheet on the basis that the loan incurs interest at a commercial rate according to the Group's inter-company loan policy, which is being rolled up until such time as the subsidiary is in a position to settle. However, there is a risk that the indirectly held subsidiaries will not commence revenue-

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generating activities and that the carrying amount of the Company's investment will, therefore, exceed the recoverable amount. The Board have assessed the recoverability of its loan based on this risk and, whilst the Mexican subsidiary, Minerale VANE S.A. de C.V., is generating revenue and cash and has commenced repayment of its loan the Directors consider that, in consideration of the losses currently being generated in U.S.A., a provision of £300,000 (2011: £10,095,677) should be recognised by the Company in the period to 31 December 2012.

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 total provision of £56,021 has been recognised at 31 December 2012 (2011: £54,510).

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.

CONVERTIBLE LOAN NOTES

On 31 May 2012, the Group entered into a variation agreement in respect of a £1m convertible loan note under which the maturity date of the loan note was amended from 31 May 2012 to 31 May 2017 with an amended conversion price of 1.25p per Ordinary Share. As required under the terms of *IAS 39 Financial Instruments: Recognition and Measurement* the fair value of the equity element was re-measured. However, in the absence of a comparable instrument in respect of the liability component, the equity component was measured using the Black-Scholes model, with the residual value being treated as the financial liability. The increased valuation of the equity component of £198,101 has been credited to equity reserves.

In addition, the new Early Redemption Clause referred to in note 25 meant that the original financial instrument ('host' contract) now contained an embedded derivative. *IAS 39 Financial Instruments: Recognition and Measurement* requires a derivative identified in a host contract to be evaluated to determine whether it should be accounted for separately from the host contract. The Board gave consideration as to whether the economic characteristics and risks of the embedded derivative were closely related to the host contract and concluded that they were 'not closely related'. The fair value of the derivative would require measurement and would need to be separated from the liability component with the fair value being allocated to profit and loss. Having given the required consideration to independent advice, the Board are of the opinion that the probability of the Group exercising its rights as set out in the Early Redemption Clause, having consideration to share price volatility and the likelihood of the criteria being met, are so minimal that it would have no material impact on the original fair value of the conversion option. Therefore, the Board did not make any amendment to the existing accounting treatment of the convertible loan note.

5. REVENUE

The external revenue of the Group arises solely from the sale of precious minerals arising from activities in Mexico. Revenue is generated from one customer.

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.

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	2012 £	2011 £
Income statement		
Revenue		
Mexico	5,759,225	3,678,126
Segmental results		
USA	(510,477)	(591,579)
Mexico	1,397,917	(10,405)
Total segment results	887,440	(601,984)
Unallocated results	(833,136)	(926,748)
Current and deferred tax	(596,923)	(75,248)
Loss after taxation	(542,619)	(1,603,980)
Depreciation		
USA	3,795	6,345
Mexico	380,234	654,449
	384,029	660,794
Impairment		
USA	-	-
Mexico	-	457,131
Total segment impairment	-	457,131
Unallocated impairment	-	-
Total impairment	-	457,131

Employees

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

	2012 Number	2011 Number
USA	3	5
Mexico	46	40
Total segment employees	49	45
Unallocated employees	3	5
Total employees	52	50

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	2012 £	2011 £
Balance Sheet		
Segment Assets		
USA	6,250,095	6,006,967
Mexico	2,382,501	2,539,598
Total segment assets	8,632,596	8,546,565
Unallocated assets	103,705	1,097,436
Total assets	8,736,301	9,644,001
Segment Liabilities		
USA	920,219	881,443
Mexico	580,562	627,781
Total segment liabilities	1,500,781	1,509,224
Unallocated liabilities	919,777	1,606,141
Current and Deferred Tax	40,460	15,163
Total liabilities	2,461,018	3,130,528
Capital Additions		
USA	600,244	1,176,978
Mexico	106,964	223,543
	707,208	1,400,521
Net Assets		
USA	5,329,876	5,125,524
Mexico	1,761,479	1,896,654
Total segment net assets	7,091,355	7,022,178
Unallocated net (liabilities)/ assets	(816,072)	(508,705)
Total net assets	6,275,283	6,513,473

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 two customers.

7. PROFIT SHARE PAYMENTS

In December 2010 the Group entered into a joint venture agreement with Jose Ruiz Armenta and Jesus Hector Ruiz Armenta ('Met-Sin') in relation to gold and silver mining activities in Mexico. This agreement was subsequently revised on 3 October 2012, effective from 1 January 2013. See note 20.

Under the terms of the original joint venture agreement once a joint venture property became operational the gross margin earned was allocated 60 per cent to the Group and 40 per cent to Met-Sin. Under the terms of the revised agreement this allocation was amended to 50 per cent to the Group and 50 per cent to Met-Sin.

	2012 £	2011 £
Met-Sin	1,428,558	633,996

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8. OTHER OPERATING INCOME

	2012 £	2011 £
Capital expenditure uplift	-	109,691
Administration fee income	55,435	-
	<u>55,435</u>	<u>109,691</u>

Under the terms of the original joint venture agreement entered into with Met-Sin, VANE provided the capital necessary to acquire, explore and develop mining projects and recovered these capital costs at the rate of 150 per cent of the original cost. Capital expenditure uplift represents this 50 per cent uplift on the capital expenditure incurred. There was no relevant capital expenditure during the year ended 31 December 2012.

Administration fee income represents income from administrative services provided by the Group.

9. INVESTMENT INCOME

	2012 £	2011 £
Interest on bank deposits	5,959	939
	<u>5,959</u>	<u>939</u>

10. OTHER GAINS AND LOSSES

	2012 £	2011 £
Profit on disposal of available-for-sale investment	15,000	-
	<u>15,000</u>	<u>-</u>

At 31 December 2011, the Group held an available-for-sale investment representing an investment of 17% in the Ordinary Share capital of Darley Energy plc, a mining and exploration company, which was impaired in full at 31 December 2011. During the year ended 31 December 2012, the Group disposed of its investment for the sum of £15,000. See note 19.

11. FINANCE COSTS

	2012 £	2011 £
Interest on convertible loan notes	130,803	147,919
Other interest charges	743	-
	<u>131,546</u>	<u>147,919</u>

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12. PROFIT(LOSS) BEFORE TAXATION

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

	2012 £	2011 £
Cost of inventories recognised as expense	2,485,666	1,793,932
Depreciation of property, plant and equipment	384,029	660,794
Profit on disposal of property, plant and equipment	(1,200)	-
Staff costs	934,489	767,676
Share-based payments	60,411	123,803
Operating leases - land and buildings	73,551	60,221
Non-recoverable VAT	-	19,789
Net foreign exchange losses	54,668	5,532
	<u> </u>	<u> </u>

13. AUDITOR'S REMUNERATION

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

	2012 £	2011 £
Audit services		
statutory audit of parent and consolidated accounts	33,320	29,000
Other services		
The auditing of accounts of associates of the Company pursuant to legislation (including that of countries and territories outside the United Kingdom)	-	8,500
Taxation services (e.g. compliance and advisory)	5,500	8,800
	<u> </u>	<u> </u>
	<u>34,500</u>	<u>37,800</u>

14. STAFF COSTS

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

	2012 Number	2011 Number
Office and management	9	11
Production	43	39
	<u> </u>	<u> </u>
	<u>52</u>	<u>50</u>

Their aggregate remuneration comprised:

	2012 £	2011 £
Wages and salaries	820,197	713,244
Social security costs	102,068	95,468
Other pension costs	20,167	13,668
Share-based payments	50,835	97,028
	<u> </u>	<u> </u>
	<u>993,267</u>	<u>919,408</u>

Included within wages and salaries is £7,943 (2011: £54,704) capitalised to intangible exploration and evaluation assets.

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15. TAXATION

	2012 £	2011 £
Current tax:		
Foreign tax	339,374	160,325
Total current tax	<u>339,374</u>	<u>160,325</u>
Deferred tax:		
Origination and reversal of temporary differences	319,814	157,478
Reversal of fair value adjustment on business combinations in prior periods	(62,265)	(242,555)
Total deferred tax	<u>257,549</u>	<u>(85,077)</u>
Tax charge on profit/(loss) for the year	<u><u>596,923</u></u>	<u><u>75,248</u></u>

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

Profit/(loss) before tax	<u>54,304</u>	<u>(1,528,732)</u>
Profit/(loss) multiplied by rate of corporation tax for UK companies of 24.5% (2011: 26.5%)	13,304	(405,114)
Effects of:		
Expenses not deductible for tax purposes	21,522	60,450
Share-based payments	14,801	32,808
Unrelieved tax losses carried forward	358,571	235,998
Deferred tax asset not utilised	65,713	-
Mexican flat-rate business tax	1,180	160,325
Difference in foreign tax rates	121,832	(9,219)
Tax charge on profit/(loss) for the year	<u><u>596,923</u></u>	<u><u>75,248</u></u>

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 included in other comprehensive income during the year is:

	2012 £	2011 £
Foreign tax on exchange gain	<u><u>(229,165)</u></u>	<u><u>(32,340)</u></u>

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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:

	2012 £	2011 £
Losses		
Losses for the purpose of basic loss per Ordinary Share being net loss attributable to owners of the parent company	(542,619)	(1,603,980)
Number of shares	Number	Number
Weighted average number of shares for the purposes of basic loss per Ordinary Share	442,923,658	347,899,000
Loss per Ordinary Share		
Basic and diluted	(0.12p)	(0.46p)

Due to the losses incurred in 2012 and 2011, 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 2011	3,683,797
Additions	1,176,978
Exchange differences	4,292
At 1 January 2012	4,865,067
Additions	600,244
Exchange differences	(210,830)
At 31 December 2012	5,254,481

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18. PROPERTY, PLANT AND EQUIPMENT

	Diablito mine £	Ore processing mill £	Plant and machinery £	Total £
Cost				
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)
	<u>4,388,975</u>	<u>544,817</u>	<u>410,099</u>	<u>5,343,891</u>
At 1 January 2012	4,388,975	544,817	410,099	5,343,891
Additions	-	-	106,964	106,964
Disposals	-	-	(4,622)	(4,622)
Exchange differences	17,142	15,109	8,664	40,915
	<u>4,406,117</u>	<u>559,926</u>	<u>521,105</u>	<u>5,487,148</u>
Accumulated depreciation				
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)
	<u>4,120,855</u>	<u>198,289</u>	<u>79,794</u>	<u>4,398,938</u>
At 1 January 2012	4,120,855	198,289	79,794	4,398,938
Charge for the year	269,797	59,872	54,360	384,029
Disposals	-	-	(4,622)	(4,622)
Exchange differences	15,465	4,984	(402)	20,047
	<u>4,406,117</u>	<u>263,145</u>	<u>129,130</u>	<u>4,798,392</u>
Carrying amount				
At 31 December 2012	<u>-</u>	<u>296,781</u>	<u>391,975</u>	<u>688,756</u>
At 31 December 2011	<u>268,120</u>	<u>346,528</u>	<u>330,305</u>	<u>944,953</u>

Re-categorisation of property, plant and equipment in the year ended 31 December 2011, include assets which were transferred to current assets.

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

	2012 £	2011 £
Cost of sales	379,954	653,281
Operating and administrative expenses	4,075	7,513
	<u>384,029</u>	<u>660,794</u>

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19. INVESTMENTS

	Group Available- for-sale investment £	Shares in subsidiary undertakings £	Company Loans to subsidiary undertakings £	Total £
Cost				
At 1 January 2011	213,571	3,889,004	12,287,058	16,176,062
Additions	-	-	2,009,549	2,009,549
At 1 January 2012	213,571	3,889,004	14,296,607	18,185,611
Disposal	(213,571)	-	-	-
Additions	-	-	582,028	582,028
At 31 December 2012	-	3,889,004	14,878,635	18,767,639
Impairment				
At 1 January 2011	213,571	-	826,627	826,627
Additions	-	-	10,095,677	10,095,677
At 1 January 2012	213,571	-	10,922,304	10,922,304
Disposal	(213,571)	-	-	-
Additions	-	-	300,000	300,000
At 31 December 2012	-	-	11,222,304	11,222,304
Carrying amount				
At 31 December 2012	-	3,889,004	3,656,331	7,545,335
At 31 December 2011	-	3,889,004	3,374,303	7,263,307

The Groups available-for-sale investment represented an investment of 17% in the Ordinary Share capital of Darley Energy plc, a mining and exploration company. At 31 December 2011, licence applications for the exploration area were dormant. There was no active market for this equity instrument and as such the Board assessed this asset for impairment and considered that it should remain impaired in full at 31 December 2011.

During the year ended 31 December 2012, the Group disposed of its investment in the Ordinary Share capital of Darley Energy plc for the sum of £15,000. See note 10.

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 £300,000 (2011: £10,095,677) should be recognised in the period.

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The Company had investments in the following subsidiary undertakings as at 31 December 2012 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

20. 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 U1'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:

	2012 £	2011 £
Non-current assets	1,405,523	1,380,460
Current assets	49,400	32,373
Current liabilities	(658)	(44,735)
Expenses	(53,536)	(63,601)
	<u>1,399,729</u>	<u>1,324,497</u>

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:

	2012 £	2011 £
Non-current assets	176,769	172,621
Current assets	32,065	44,559
Current liabilities	(6,278)	(1,416)
Expenses	(3,858)	(3,268)
	<u>198,708</u>	<u>212,506</u>

Met-Sin 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.

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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.

On 3 October 2012 the terms of the original JVA were amended in respect of the following:

- the gross margin earned would be allocated on the basis of 50 per cent to VANE and 50 per cent to Met-Sin, effective from 1 January 2013; and
- Met-Sin committed to build and install a flotation mill which would process any production resulting from the joint venture activities in excess of 100 tons per day.

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
	2012	£
	£	£
Work in progress	704,187	363,720

During the year £2,485,666 of inventories was expensed (2011: £1,793,932) to the income statement.

22. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Trade receivables	410,038	139,067	-	-
Amounts owed by Group companies	-	-	41,568	75,807
Amounts owed by joint venture partners	26,464	-	-	-
VAT recoverable	209,035	56,925	3,950	4,845
Other receivables	16,494	153,228	-	3,000
Prepayments	40,510	37,579	7,583	15,016
	<u>702,541</u>	<u>386,799</u>	<u>53,101</u>	<u>98,668</u>

Trade receivables principally comprise amounts receivable from the sales of minerals. The average credit period for trade receivables is 22 days (2011: 14 days). No interest is charged on trade receivables.

The Directors consider that the carrying amount of trade and other receivables approximates their fair value. £45,064 of trade receivables is past due but the Directors do not consider any impairment to be required.

23. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 December 2012 of £529,367 and £17,869 (2011: £2,299,546, £1,038,328) 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.

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24. TRADE AND OTHER PAYABLES

	Group		Company	
	2012 £	2011 £	2012 £	2011 £
Trade payables	191,068	95,465	12,980	6,925
Taxes and social security	23,569	13,681	-	-
Amounts due to joint venture partners	-	39,912	-	-
Other payables	180,437	77,619	-	-
Accruals	292,931	566,853	65,968	80,490
	<u>688,005</u>	<u>793,530</u>	<u>78,948</u>	<u>87,415</u>

Trade payables and accruals principally comprise amounts outstanding for trade purchases and on-going costs. The average credit period taken for trade purchases is 44 days (2011: 29 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

In 2007, the Company issued two convertible loan notes of £1,000,000 and £500,000 which were convertible into Ordinary Shares of the Company at any time up to the maturity dates of 31 May 2012 and 30 September 2012 respectively. The exercise price was 29p per share for the £1,000,000 loan and 22.75p per share for the £500,000 loan. If the notes were not converted into Ordinary Shares of the Company they would be redeemed at par in May and September 2012 respectively.

During the year ended 31 December 2012 the terms of the convertible loan notes were varied as follows:

- the redemption date of the £500,000 loan notes was varied from 30 September 2012 to 31 May 2012, with redemption to take place on that date;
- the redemption date of the £1,000,000 loan notes was varied from 31 May 2012 to 31 May 2017. In addition the exercise price was amended from 29p per share to 1.25p per share;
- the holders of the £1,000,000 loan notes became entitled to convert the notes at any time after the amendment of the conversion price was approved and before the 31 May 2017; and
- if either: (a) at any time prior to the redemption date the volume weighted average price of the Ordinary Shares on AIM ('VWAP') (for any consecutive period of 15 business days after 31 May 2012) exceeds twice the conversion price; or (b) at any time after 31 May 2015, but prior to the redemption date, the VWAP exceeds the conversion price, then the Company can serve an Early Redemption Notice. The Company shall pay to the note holder the sum which is equal to the par value of the notes being redeemed divided by the conversion price and multiplied by the VWAP set out in the Early Redemption Notice, together with any interest accrued.

Interest is paid six monthly until the notes have been converted or redeemed.

The net proceeds received from the original 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 was credited to equity reserve. See note 29.

As a result of the variation in terms of the £1,000,000 loan notes the original split between the financial liability element and the equity component has been revised using the Black-Scholes model. The significant inputs into the model for the valuation were as follows:

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	Revised Options
Weighted average share price	1.125p
Conversion price	1.25p
Expected term (years)	5
Expected volatility (%)	66.8
Expected dividends	nil
Risk-free rate (%)	0.73

Expected volatility was calculated by considering VANE Minerals plc share price movements over a period commensurate with the expected term immediately prior to 31 May 2012.

The risk-free rate was calculated by reference to the yield on UK government gilt strips with duration similar to that of the expected term.

The increased valuation of the equity component of £198,101 has been credited to equity reserve. See note 29.

	Group and Company	
	2012	2011
	£	£
Liability component at 1 January	1,483,409	1,455,380
Repayment	(500,000)	-
Equity component	(198,101)	-
Interest charged	130,803	147,919
Interest paid	(96,548)	(119,890)
	<u>819,563</u>	<u>1,483,409</u>
Liability component at 31 December	<u>819,563</u>	<u>1,483,409</u>

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 to 31 May 2012. The effective interest rate on the £1,000,000 loan after this date was 13.73%.

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 2012 represents the effective interest rate less interest paid to that date.

26. DEFERRED TAX

There are unrecognised deferred tax assets in relation to:-

	2012	2011
	£	£
UK tax losses	2,514,165	3,098,304
US tax losses	4,657,264	3,512,949
	<u>7,171,429</u>	<u>6,611,253</u>

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The movement in the deferred tax balance was as follows:

	2012 £	2011 £
At 1 January	12,523	113,741
Release to income for the year	257,549	(85,077)
Charge to statement of changes in equity	(229,165)	(32,340)
Exchange difference	(447)	16,199
	<u> </u>	<u> </u>
At 31 December	<u>40,460</u>	<u>12,523</u>

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:-

	2012 £	2011 £
Mexico trading losses provided as deferred tax assets	-	(65,713)
Mexico business combinations deferred tax liability	40,460	78,236
	<u> </u>	<u> </u>
	<u>40,460</u>	<u>12,523</u>

The deferred tax asset at 31 December 2011 was in relation to tax losses available to be carried forward in Minerals VANE SA De CV. These losses were available for relief for a period of up to 10 years against profits of the same trade. There were no unutilised losses as at 31 December 2012.

The unrecognised deferred tax asset in relation to tax losses in the Company at 31 December 2012 was £34,896 (2011: £123,372).

27. PROVISIONS

	Group Decommissioning	
	2012 £	2011 £
At 1 January	54,510	45,375
Increase in provision for the year	-	14,987
Exchange differences	1,511	(5,852)
	<u> </u>	<u> </u>
At 31 December	<u>56,021</u>	<u>54,510</u>
	<u> </u>	<u> </u>
Current provision	15,180	-
Non-current provision	40,841	54,510
	<u> </u>	<u> </u>
At 31 December	<u>56,021</u>	<u>54,510</u>

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.

The Directors' assumptions are that restoration of the Diablito Mine site will take place within the next twelve months, and that restoration of the Mill and La Colorada mine will not take place for at least a further twelve months.

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28. SHARE CAPITAL

	Group and Company	
	2012	2011
	£	£
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
	<u>26,600,000</u>	<u>26,600,000</u>
Allotted, issued and fully paid:		
442,923,658 Ordinary Shares of 0.1p each	442,924	442,924
190,108,108 Deferred Shares of 9.9p each	18,820,703	18,820,703
	<u>19,263,627</u>	<u>19,263,627</u>

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 2011	326,923,658
Allotment of shares	116,000,000
	<u>442,923,658</u>
At 1 January 2012 and 31 December 2012	<u>442,923,658</u>

29. OTHER RESERVES

	Group and Company	
	2012	2011
	£	£
At 1 January	261,220	261,220
Recognition of equity component of convertible loan note	198,101	-
Reclassification of equity component of convertible loan notes	(190,004)	-
	<u>269,317</u>	<u>261,220</u>
At 31 December	<u>269,317</u>	<u>261,220</u>

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

The reclassification of equity component represents the movement between reserves on redemption of convertible loan notes, of which £52,001 relates to the current year and £138,003 to a prior year.

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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.

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 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 which vested on 1 September 2012; and
- 9,500,000 share options of which 3,166,667 vested on 1 September 2012 and the remainder vest in two equal tranches on 1 September 2013 and 2014.

No options were granted during the year ended 31 December 2012 (2011:11,600,000).

At 31 December 2012, 26,100,000 options had been granted under the terms of the Share Option Plan and not exercised.

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:

	2012		2011	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at 1 January	26,100,000	1.125p	14,500,000	10.2p
Cancelled	-	1.125p	(14,500,000)	10.2p
Replaced	-	1.125p	14,500,000	1.125p
Granted	-	1.125p	11,600,000	1.125p
Forfeited/lapsed	-	-	-	-
Exercised	-	-	-	-
Outstanding at 31 December	26,100,000	1.125p	26,100,000	1.125p
Exercisable at 31 December	19,766,667	1.125p	14,500,000	1.125p

The options outstanding at 31 December 2012 had an estimated weighted average remaining contractual life of 4.6 years (2011: 5.6 years).

In the year ended 31 December 2012 the Company recognised a total expense of £60,411 (2011: £123,803) related to equity-settled share-based payment transactions.

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31. COMMITMENTS UNDER OPERATING LEASES

LESSEE ACTIVITY

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

	2012 £	Group 2011 £
Land and buildings		
Amounts due within one year	121,076	125,698
Amounts due in 2-5 years	462,404	489,324
Amounts due after 5 years	-	120,041
	<u>583,480</u>	<u>735,063</u>

There were no commitments under operating leases in relation to the Company at 31 December 2012 (2011: £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 2011.

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

	2012 £	2011 £
Financial assets measured at amortised cost		
Cash and cash equivalents	529,367	2,299,546
Trade receivables	410,038	139,067
Amounts owed by joint venture partners	883,433	783,916
Other receivables	16,494	153,228
	<u>1,839,332</u>	<u>3,375,757</u>
Financial liabilities measured at amortised cost		
Trade payables	191,068	95,465
Amounts due to joint venture partners	856,969	823,828
Other payables	180,437	77,619
Convertible loan notes	819,563	1,483,409
	<u>2,048,037</u>	<u>2,480,321</u>

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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.

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

	Liabilities		Assets	
	2012 £	2011 £	2012 £	2011 £
Pound sterling	-	-	-	-
US dollars	14,917	-	739,224	1,152,313
Mexican pesos	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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.

	2012 £	2011 £
Income statement	<u>71,091</u>	<u>115,181</u>

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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 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	2012	1792	1540	1669	7%	8%
	2011	1895	1319	1572	21%	16%
Silver	2012	37.23	26.67	31.15	20%	14%
	2011	48.7	26.68	35.12	39%	24%

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Commodity	2012 Variance	2012 Impact on revenue and pre-tax profit/equity £	2011 Variance	2011 Impact on revenue and pre-tax loss/equity £
Gold	+7%	266,898	+21%	480,759
	-8%	(280,399)	-16%	(375,298)
Silver	+20%	415,946	+39%	519,159
	-14%	(306,451)	-24%	(322,609)

33. RELATED PARTY TRANSACTIONS

Amounts due from subsidiaries

The Company has entered into a number of unsecured related party transactions with a subsidiary undertaking. The most significant transactions carried out between the Company and its subsidiary undertaking are management charges for services provided to the subsidiary company and long-term financing. Details of these transactions are as follows:

	2012		2011	
	Transactions in the year £	Amounts owing £	Transactions in the year £	Amounts owing £
Loans (including interest)	361,589	1,906,114	1,808,063	1,844,525
Interest (1.5%)	220,439	1,750,217	201,486	1,529,778
Management charges	155,180	41,568	154,466	75,807
	<u>737,208</u>	<u>3,697,899</u>	<u>2,164,015</u>	<u>3,450,110</u>

A provision of £300,000 (2011: £10,095,677) has been made in respect of the amounts owed by the subsidiary company.

During the year, Group companies entered into the following transactions with related parties who are not members of the Group:

	2012		2011	
	£	Amounts owing/(receivable) £	£	Amounts owing/(receivable) £
Purchase of services	19,382	-	-	-
Sale of services	55,435	(45,064)	-	--
	<u>74,817</u>	<u>(45,064)</u>	<u>-</u>	<u>--</u>

A Director of the related party is also a Director of the Company.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received and no provisions have been made for doubtful debts in respect of the amounts owed by related parties.

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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*.

	2012		2011	
	Purchase of services £	Amounts owing £	Purchase of services £	Amounts owing £
Short-term employee benefits	367,975	-	304,687	-
Consultancy payments	112,968	44,070	93,884	14,321
Share-based payments	44,973	-	87,648	-
	<u>525,916</u>	<u>44,070</u>	<u>486,219</u>	<u>14,321</u>

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:

	2012				
	Annual salary entitlement £	Emoluments ¹ taken £	Consultancy £	Pension £	Total £
Executive Directors					
SD Van Nort	24,000	-	51,735	-	51,735
LC Arnold	24,000	-	58,233	-	58,233
MC Idiens	75,000	77,774	-	9,167	86,941
KK Hefton	100,000	121,639	-	-	121,639
DJ Newton	110,000	110,740	-	11,000	121,740
Non-executive Directors					
Rt Hon Earl of Kilmorey PC (formerly Sir Richard Needham)	20,000	20,000	-	-	20,000
MC Idiens	5,000	5,925	3,000	-	8,925
	<u>358,000</u>	<u>336,078</u>	<u>112,968</u>	<u>20,167</u>	<u>469,213</u>

¹Emoluments include benefits-in-kind

MC Idiens became a non-executive Director with effect from 1 October 2012.

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	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					
Rt Hon Earl of Kilmorey PC (formerly Sir Richard Needham)	20,000	20,000	-	-	20,000
	<u>378,000</u>	<u>279,778</u>	<u>93,884</u>	<u>13,667</u>	<u>387,329</u>

¹Emoluments 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

	2012 No	2011 No
The number of Directors to whom retirement benefits are accruing under money purchase schemes was	<u>2</u>	<u>2</u>

34. POST BALANCE SHEET EVENTS

Mining venture agreement

On 14 May 2013, the Group signed a Mining Venture Agreement with Alan Levin ('Levin') in relation to the Diablito mine in Mexico. Under the terms of the agreement Levin agreed to provide a minimum of US\$209,000 and up to US\$300,000 to fund the mining and processing of Ore from the Diablito mine in Mexico. Using the funds provided, the Group agreed to provide management of the project. Profits from the project, after the repayment of Levin's cash contributions and any other expenses including royalties, will be split 60% to the Group and 40% to Levin.

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NOTICE OF AGM

Notice is hereby given that the Annual General Meeting of the Company will be held at the offices of Allenby Capital Limited, 3 St Helen's Place, London EC3A 6AB on 28 June 2013 at 09.30 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 2012.
2. To re-elect Matthew Idiens, who retires by rotation, as a Director of the Company.
3. To re-elect Steve Van Nort who retires by rotation, as a Director of the Company.
4. 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 the requirements of section 437 and 438 of the Companies Act 2006 ("2006 Act") are complied with. .
5. 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 6 and 7 will be proposed as an ordinary resolutions and resolution number 8 will be proposed as a special resolution:

6. That for the purposes of Section 551 of the 2006 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 and unconditionally authorised to allot Relevant Securities (as defined in note 1 below) up to a maximum nominal amount of £108,974.66 to such persons at such times and on such terms as they think proper such authority to expire on the date of the next Annual General Meeting of the Company after the passing of this resolution (unless renewed, varied or revoked by the Company in general meeting)(or any adjournment thereof)save that the Company may at any time before such expiry make an offer or agreement which would or might require Relevant Securities to be allotted after such expiry and the Directors may allot Relevant Securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired. This authority is in substitution for all previous authorities conferred on the Directors in accordance with section 551 of the 2006 Act.
7. That in accordance with Clause 19 of the Deed relating to the issue of £1,000,000 Fixed Rate Unsecured Convertible Loan Notes 2012 executed by the Company on 10 May 2007 (the "Deed"), the terms and conditions of the Deed shall be amended, and the existing definition of "Conversion Price" should be deleted and replaced with, "Conversion Price means 1.25 pence per Ordinary Share".
8. That the Directors be and they are hereby generally authorised pursuant to section 570 of the 2006 Act to allot equity securities (as defined in Section 560 of the 2006 Act) for cash of the Company pursuant to the authority conferred by resolution 6 above (as varied from time to time by the Company in general meeting) 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; and

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NOTICE OF AGM

- b. 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 of the Company to be held after the passing of this resolution (unless renewed, varied or revoked by the Company prior to or on that date) (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 and the Directors may allot equity securities in pursuance of such offer or agreement notwithstanding that the power conferred by this resolution has expired. This authority is in substitution for all previous authorities conferred on the Directors in accordance with section 570 of the 2006 Act.

By Order of the Board 4 June 2013

Ian McNeill
Company Secretary

VANE Minerals plc
Metic House
Ripley Drive
Normanton
WF6 1QT

Notes:

Entitlement to attend and vote

- 1 "Relevant Securities" means;
 - (a) shares in the Company other than shares allotted pursuant to:
 - (i) an employee share scheme (as defined by section 1166 of the 2006 Act);
 - (ii) a right to subscribe for shares in the Company where the grant of the right itself constituted a Relevant Security; or
 - (iii) a right to convert securities into shares in the Company where the grant of the right itself constituted a Relevant Security.
 - (b) any right to subscribe for or convert any security into shares in the Company other than rights to subscribe for or convert any security into shares allotted pursuant to an employee share scheme (as defined by section 1166 of the 2006 Act). References to the allotment of Relevant Securities in the resolution include the grant of such rights.
- 2 Only those members registered on the Company's register of members at:
 - 6.00 pm on 26 June 2013; 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.

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. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
- 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 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 4 June 2013, 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 4 June 2013 is 442,923,658.

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 227219 (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.



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