

VANE Minerals plc
("VANE" or the "Company")
Interim Report for the Six Months to
30 June 2012

VANE Minerals plc (AIM:VML) is pleased to announce its maiden profit as part of its interim report for the six months to 30 June 2012.

Highlights for Period

- £3,400,665 revenue, a rise of 174% (H1 2011: £1,240,651)
- £177,470 profit after tax, representing 0.04 pence per share (H1 2011: £1,032,981 loss as restated, representing (0.32) pence per share)
- 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
- £1,096,024 group cash balance at period end (H1 2011: £1,525,014)

Silver/gold production and milling, Mexico

- Increased revenues and profitability at operations
- 16,217 tonnes processed in period (108% of target) (H1 2011: 15,642 tonnes)
- Average metal price received on sales of concentrates was \$31.04/oz silver and \$1,650/oz gold (H1 2011: average prices of \$38.08/oz silver and \$1,525/oz gold)
- Average recovery rate of 80% Au and 77% Ag (H1 2011: 69% Au and 67% Ag)
- 2,208 oz. Au and 48,311 oz Ag produced in H1 2012 at a direct production cost of \$652.94 equivalent per oz Au; or \$11.92 equivalent per oz Ag (Year ended 31 December 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)

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. A diamond drilling programme is planned
- Peg Leg and Railroad drilled with negative results
- Property positions also established at Bouse, Lone Hills and Cherry Creek
- Initial exploration work at Bouse has produced strong anomalous gold and copper values

Uranium portfolio

- 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
- Wate Mineral Development Report, a requirement for the Mineral Lease application, in progress
- U.S. Government confirms withdrawal of over 1 million acres of federal lands from mining activity. VANE has initiated legal action seeking redress
- Uranium exploration programme placed on care and maintenance

David Newton, CEO of VANE Minerals said; "These are very pleasing results; the operational team should be congratulated for delivering the Company's maiden profit, which in these financially challenging times, is a significant and impressive

achievement. It also reflects the importance of our relationship with our Mexican joint venture partners, in which we have invested in excess of \$300,000 alone on developing the La Colorada asset since we entered into the joint venture legal contract. This is in addition to a wider investment in the building and development of our Merrill Crowe facility, the ongoing development of our SDA mill, the identification of a resource at La Colorada and further preparatory work on the assets within the joint venture area.”

Contacts:

VANE Minerals Plc +44 (0) 20 7667 6322

David Newton
CEO VANE Minerals plc

Allenby Capital (Nominated Adviser & Joint Broker) +44 (0) 203328 5656

Jeremy Porter/Alex Price

Northland Capital Markets (Joint Broker) +44 (0) 20 7796 8821

Louis Castro

Bankside Consultants +44 (0) 20 7367 8888

Simon Rothschild/ Harry Gourlay

CHAIRMAN'S STATEMENT

I am pleased to report on the interim results for the six months ended 30 June 2012.

During the period, the Company has worked hard to improve the profitability of its Mexican-based gold and silver production facilities whilst continuing to implement its exploration programme on its copper assets. The uranium exploration programme has been scaled back following the formal withdrawal of the federal lands by the US Government in order to help protect the Company's cash resources.

We have seen Minerales VANE SA de CV, significantly increase its revenues and profitability (as compared with the period ended 30 June 2011), as a result of processing ore from our new joint venture. Ore grades and recovery rates have improved materially leading to greater profitability. Production of ore is running ahead of schedule and exceeding expectations due to improved performance by our operational team and our joint venture partners and the Company is also in the process of completing the mining of some final high-grade ore from its Diablito Mine, ahead of its proposed closure, which is expected to take place before the end of the year. The Company has invested significantly in its Mexican Rosario Joint Venture through continuing investment in its SDA Mill, the building and operation of its Merrill Crowe facility, ongoing development at the La Colorada Mine where at least one year of future production has already been identified and plans development work for the Saltito Mine. The Company intends to continue development work on the Rosario JV with the aim of growing the joint venture through identifying additional mineable resources to justify increasing milling capacity and will invest its resources accordingly.

The USA porphyry copper exploration programme continues. The Company announced that it had encountered mineralisation at its McGhee Peak target in February 2012 and a diamond drilling programme is planned at that target to determine economic viability. Drilling has not yet commenced due to scheduling problems from permitting delays and as the Company looks to protect its financial resources during these challenging economic times. The Company has also drilled two additional targets to date this year, Peg Leg and Railroad, but with negative results. The Company intends to drill further targets following the completion of the diamond drilling programme at McGhee Peak.

The uranium exploration programme in Arizona continues through the joint venture arrangements that are in place with Uranium One Exploration U.S.A. Inc. The joint venture has an NI 43-101 compliant confirmed resource of 1.118m lbs of eU_3O_8 contained in 71,000 tons with an average grade of 0.79% eU_3O_8 at its Wate target. The project has moved to the pre-development phase and preparation of the documents necessary to obtain the Mineral Lease (for exploitation) from the State of Arizona continues. There are no drilling programmes underway at present as the Company scales back its uranium activities to help preserve cash resources following the withdrawal of over 1 million acres of federal lands from all mining activity by the US Government. As announced on 6 June 2012, the Company has joined legal proceedings against the US Government. VANE still holds substantial land holdings on state lands, including its principal Wate and Rose projects, which are not affected by the withdrawal.

During the period, the Company also repaid £0.5 million of loan notes and re-negotiated the facility for the remaining £1 million of loan notes that are still outstanding.

Outlook

We shall continue to work towards improving the profitability of the Company's producing precious metals assets in Mexico and drive forward the U.S. porphyry copper exploration programme and the Wate project.

Sir Richard Needham

6 September 2012

CHIEF EXECUTIVE OFFICER'S OPERATIONS STATEMENT

Silver/Gold Production and Milling - Minerale VANE SA de CV Operations - Mexico

The Company's joint venture agreement (Rosario JV "Agreement") with the Ruiz brothers, members of a long-established mining family located in El Rosario, State of Sinaloa, continues to operate efficiently. VANE is pleased with the success of the first full year of operations and plans to expand production. 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. Within the area of interest, the Ruiz family either owns or controls four concessions. The La Colorada Mine located on the Colorada Concession is in production providing ore for our San Dieguito de Arriba flotation mill (SDA). Three additional concessions, Maria Fernanda, Valenzuela and Jorge Luis cover three partly developed high-grade vein structures and are expected in due course to provide further ore to the SDA mill or result in expanding milling capacity.

Under the terms of the Agreement, VANE has ownership of 60% of the properties within the joint venture's area of interest with profits being split on a 60:40 basis. Cash generated out of the profits from these high-grade mines will be split on an 80:20 basis in VANE's favour until such time as VANE has recovered 150% of any outlaid development/capital costs incurred by it in connection with, amongst other things, upgrading the mining and transportation equipment at these mines as well as the development of resources and the construction of a new mill if warranted. Thereafter, cash will be paid on a 60:40 basis in accordance with the profit split.

Minerale VANE SA de CV ("MV"), VANE's 100% owned subsidiary, continued to operate in west-central Mexico during the period. Operations at the Diablito Mine, the Colorada Mine and at our 100 tonne/day (Tpd) San Dieguito de Arriba flotation mill (SDA), located 30 km north of the Diablito Mine, continued to be directed from MV's headquarters located in Acaponeta, State of Nayarit, that includes offices, living quarters and analytical facilities.

Financially, MV generated a profit before tax of £1,113,668 (H1 2011: loss of £347,361) for the first half of 2012, which was better than forecast as a result of improved grades and recovery rates.

During the period, the SDA mill treated 2,711 tonnes of ore from Diablito and 13,507 tonnes from La Colorada (16,218 tonnes in total (H1 2011: 15,642 tonnes)) at an average of 2,703 tonnes per month or 108% of the target amount, 2,500 tonnes per month. SDA mill head grades averaged 6.29g/T gold and 142 g/T silver (H1 2011: 2.80g/T gold and 134 g/T silver), while recoveries for gold and silver averaged 80% and 77% respectively (H1 2011: 69% and 67%). Concentrates produced amounted to 346 tonnes (H1 2011: 190.29 tonnes) and averaged 6.39 oz per tonne gold and 146.78 oz per tonne silver (H1 2011: 4.34 oz per tonne gold and 191.6 oz per tonne silver). All concentrates produced were sold to Peñoles via the NexxTrade metal trading company. The weighted average metal price received on sales of concentrates was \$1,650/oz gold and \$31.04/oz silver, (H1 2011: \$1,525.41/oz gold and \$38.09/oz silver). With the Company's treatment facilities strategically situated along the major north-south highway and rail route, the MV team continues to seek and evaluate acquisition opportunities, being both stand-alone mine/mill operations and mine/mill production and/or concentrates as potential feed to the SDA mill and cyanide leach/Merrill Crowe plant. We also continue to look both north and south of Acaponeta for opportunities similar to the Rosario joint venture. This broad area of interest contains both producing mines with significant historic production and represents what the Company believes are a number of opportunities to expand its business.

Utilisation of the cyanide leach/Merrill Crowe recovery circuit to treat silver-gold sulphide concentrates has been lower than expected, mainly because of difficulties experienced in identifying suitable feedstock, but it is expected that this will improve in the second half of the financial year. The Directors continue to believe that the Mexican programme will be best served by continuing to operate the SDA mill at 100 Tpd whilst seeking to construct a new 200 Tpd concentrator at a location central to future mining operations. A 200 Tpd ball mill, bought by the Company in late 2010, is the critical part of any new mill construction and is currently stored in El Rosario.

Southwest U.S.A. Porphyry Copper Exploration

VANE's copper programme is focused on porphyry copper systems and based on the application of a number of proven techniques, many of which were developed and employed successfully during the time that Steve van Nort and Clark Arnold were associated with a well-known copper expert during the 1970s and 1980s. These techniques involve acquisition and drill testing of a number of prospects in favourable areas as rapidly as possible and at low cost.

These concepts have been employed by VANE and have recently been advanced and refined to incorporate current technology including published and proprietary geophysical gravity data and water well geochemistry, both of which are referenced to a Geographical Information System (GIS). This work has highlighted a number of untested targets in a region containing the highest known density of porphyry copper deposits in the world and that produces 60% of the U.S.'s annual copper production. The Directors were involved with a number of significant copper discoveries in this area.

During the period, two projects, Peg Leg and Railroad, have been tested with negative results. On 3 February 2012, the Company announced that it had successfully drilled into a copper-molybdenum porphyry system at its McGhee Peak exploration target. The drilling has discovered two mineralised targets located approximately one mile apart within a clearly identified porphyry system, containing copper, molybdenum and zinc.

In total, three holes have been drilled to date at McGhee Peak. Hole MP-2 intersected anomalous copper values in the range of 300-600 ppm to a depth of about 380 feet. Zinc values greater than 200 ppm were found below a depth of about 580 feet. Hole MP-3 also intersected the underlying porphyry body.

Hole MP-1, located approximately 1 mile to the south, was designed to test the southern mineralised target area. The hole was lost at a depth of 360 feet. Encouraging alteration with anomalous copper and visible molybdenite was encountered before bad ground conditions prevented continuation of the hole. A plan is in effect as part of the diamond drilling programme to re-drill the hole in order to test this porphyry target below 1,000 feet.

Results to date from drilling, geochemistry, geophysics, and surface geology, are encouraging, in that a larger mineralised porphyry system encompassing both the north and south target areas is indicated. The discovery of a large mineralised porphyry system is the first step in VANE's copper exploration programme. This will be followed by vectoring within the large porphyry system to determine if economically viable higher grade mineralisation is present.

Property positions have also been established in a number of areas including Lone Hills, Bouse and Cherry Creek in southwest New Mexico and Arizona. Target development continues in this region and is also underway in additional areas. Bouse is a bulk disseminated copper-gold target in western Arizona in an area also known for the occurrence of such systems and initial testing at that target looks very promising. An additional four patented lode mining claims totalling 65.3 acres have recently been acquired for \$2,000 supplementing the Company's existing land position of 47 unpatented lode claims. The patented claims include two past copper and gold producers, the Hearts Desire and Blind Indian mines. The Company's claims have the potential for detachment fault hosted gold and copper mineralisation similar to the Copperstone gold mine located 13 miles southwest of these claims. Gold at Copperstone is associated with fine-grained quartz and hematite with minor chalcopyrite, chrysocolla and malachite. The same mineral suite is present in veins at Bouse. Both areas exhibit widespread, low-angle faulting cut by high-angle feeder structures which, combined, can lead to the development of bulk tonnage copper-gold deposits.

The time required for permitting of drilling projects once a property position has been established continues to be a bottleneck, particularly in New Mexico.

The Company continues to believe that its best chance of success in its copper exploration programme lies in testing a large number of virgin targets situated beneath post-mineral gravel or volcanic cover in areas well known for the type of deposits we are seeking. Targets are selected on the basis of fundamental geologic criteria and tested as quickly and inexpensively as possible.

U.S.A. Uranium Exploration

The Company's uranium programme is led by the joint venture project with Uranium One Exploration U.S.A. Inc. (U1) in northern Arizona.

The most significant asset within the joint venture is the Wate Project which has a Ni 43-101 compliant resource of 1.118m lbs eU_3O_8 with an average grade of 0.79% eU_3O_8 . 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 eU_3O_8 , 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. Preparation of the documents necessary to obtain the Mineral Lease (for exploitation) from the State of Arizona continues. The Mineral Lease process also includes preliminary permitting efforts pertaining to mining development.

Legal proceedings

The U.S. Secretary of Interior, Ken Salazar, announced on 9 January 2012 the implementation of the proposed 20-year withdrawal of approximately one million acres of federal lands in northern Arizona on which VANE and other operators had large land positions. As previously stated, the Company had already significantly reduced expenditures on its exploration programme in the affected area while awaiting the outcome of this issue. Of the affected lands, VANE maintains that it has legal rights on some 680 mining claims covering a total of 14,000 acres. VANE's holdings on state lands are not affected by the withdrawal litigation.

Following these political developments and as announced on 6 June 2012, VANE has joined legal proceedings with the National Mining Association and Nuclear Energy Institute against the U.S. Department of Interior ("DOI") seeking compensation for the damages that the Company sustained by the withdrawal by the DOI. The withdrawal prevents the Company from carrying out activities on its mining claims, including claims held by its joint venture with U1, on which the Company has invested several years and several million dollars in an effort to develop uranium reserves to the benefit of the U.S. as well as to increase shareholder value. 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 Company 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.

There have been four related lawsuits filed against the DOI. These lawsuits laid the groundwork whereby VANE can participate at low cost without impacting VANE's overall exploration programme. The Company previously notified investors of the impact of the withdrawal and changed its emphasis to state lands which are unaffected by the withdrawal. The Company provides details on the withdrawal issue on its website (www.vaneminerals.com) and will update investors as the legal proceedings progress.

In summary, the VANE operations have seen a substantial amount of important work conducted within the period. The primary strategic objective is to continue to build up the production side of the business within Mexico with the aim of providing increased internal finance for the exploration programmes within the group going forward. We look forward to announcing further news from across all our projects over the course of the coming months.

David Newton

6 September 2012

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

		Unaudited six months ended 30 June		Audited year ended 31 December
	Notes	2012 £	Restated 2011 £	2011 £
Continuing operations				
Revenue	2	3,400,665	1,240,651	3,678,126
Cost of sales		(2,014,330)	(1,350,917)	(3,108,604)
Gross profit/(loss)		1,386,335	(110,266)	569,522
Operating and administrative expenses		(843,295)	(861,322)	(1,603,834)
Impairment of property, plant and equipment		(89,890)	-	(457,131)
Other operating income		-	-	109,691
Operating profit/(loss)		453,150	(971,588)	(1,381,752)
Investment income		5,357	389	939
Finance costs		(70,991)	(73,058)	(147,919)
Profit/(loss) before taxation		387,516	(1,044,257)	(1,528,732)
Taxation	3	(210,046)	11,276	(75,248)
Profit/(loss) for the period attributable to owners of the parent company	2	177,470	(1,032,981)	(1,603,980)
Loss per Ordinary Share				
Basic and diluted	5	0.04p	(0.32p)	(0.46p)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Unaudited six months ended 30 June	Restated 2011	Audited year ended 31 December 2011
	2012 £	2011 £	2011 £
Profit/(loss) for the period attributable to owners of the parent company	177,470	(1,032,981)	(1,603,980)
Other comprehensive income			
Exchange differences arising on translation of foreign operations	(6,216)	(78,790)	(200,224)
Income tax relating to components of other comprehensive income	20,612	90,330	32,340
Available-for-sale investment: Gains arising during the period	15,000	-	-
	<u>29,396</u>	<u>11,540</u>	<u>(167,884)</u>
Total comprehensive income for the period attributable to owners of the parent company	<u>206,866</u>	<u>(1,021,441)</u>	<u>(1,771,864)</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2012

	Unaudited 30 June	Restated 2011	Audited 31 December
	2012 £	2011 £	2011 £
Non-current assets			
Intangible assets	5,172,587	4,150,663	4,865,067
Property, plant and equipment	722,495	1,728,114	944,953
	<u>5,895,082</u>	<u>5,878,777</u>	<u>5,810,020</u>
Current assets			
Inventories	688,990	371,646	363,720
Trade and other receivables	1,773,196	466,146	1,170,715
Cash and cash equivalents	1,096,024	1,525,014	2,299,546
	<u>3,558,210</u>	<u>2,362,806</u>	<u>3,833,981</u>
Total assets	<u><u>9,453,292</u></u>	<u><u>8,241,583</u></u>	<u><u>9,644,001</u></u>
Current liabilities			
Trade and other payables	(1,555,816)	(652,271)	(1,577,446)
Taxation	(33,955)	-	(2,640)
	<u>(1,589,771)</u>	<u>(652,271)</u>	<u>(1,580,086)</u>
Non-current liabilities			
Convertible loan notes	(816,472)	(1,468,822)	(1,483,409)
Deferred tax	(52,525)	(11,916)	(12,523)
Provisions	(55,962)	(45,375)	(54,510)
	<u>(924,959)</u>	<u>(1,526,113)</u>	<u>(1,550,442)</u>
Total liabilities	<u><u>(2,514,730)</u></u>	<u><u>(2,178,384)</u></u>	<u><u>(3,130,528)</u></u>
Net assets	<u><u>6,938,562</u></u>	<u><u>6,063,199</u></u>	<u><u>6,513,473</u></u>
Equity			
Share capital	19,263,627	19,147,627	19,263,627
Share premium account	5,838,030	4,868,863	5,838,030
Share option reserve	433,194	281,149	396,679
Other reserves	442,928	261,220	261,220
Cumulative translation reserves	43,991	209,019	29,595
Retained deficit	(19,083,208)	(18,704,679)	(19,275,678)
Equity attributable to owners of the parent company	<u><u>6,938,562</u></u>	<u><u>6,063,199</u></u>	<u><u>6,513,473</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital	Share premium account	Share option reserve	Other reserves	Cumulative translation reserves	Retained deficit	Total
	£	£	£	£	£	£	£
As at 1 January 2011 as previously stated	19,147,627	4,868,863	310,701	261,220	146,268	(18,322,320)	6,412,359
Restatement (note 2)	-	-	-	-	51,211	612,797	664,008
As at 1 January 2011 restated	19,147,627	4,868,863	310,701	261,220	197,479	(17,709,523)	7,076,367
Loss for the period as restated	-	-	-	-	-	(1,032,981)	(1,032,981)
Other comprehensive income for the period as restated	-	-	-	-	11,540	-	11,540
Total comprehensive income for the period as restated	-	-	-	-	11,540	(1,032,981)	(1,021,441)
Share-based payments	-	-	8,273	-	-	-	8,273
Transfer to retained earnings in respect of options	-	-	(37,825)	-	-	37,825	-
As at 30 June 2011 restated	19,147,627	4,868,863	281,149	261,220	209,019	(18,704,679)	6,063,199

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (AUDITED)

	Share capital £	Share premium account £	Share option reserve £	Other reserves £	Cumulative translation reserves £	Retained deficit £	Total £
As at 1 January 2011 as previously stated	19,147,627	4,868,863	310,701	261,220	146,268	(18,322,320)	6,412,359
Restatement (note 2)	-	-	-	-	51,211	612,797	664,008
As at 1 January 2011 restated	19,147,627	4,868,863	310,701	261,220	197,479	(17,709,523)	7,076,367
Transactions with owners in their capacity as owners							
Issue of equity shares	116,000	1,044,000	-	-	-	-	1,160,000
Expense of issue of equity shares	-	(74,833)	-	-	-	-	(74,833)
Total transactions with owners in their capacity as owners	116,000	969,167	-	-	-	-	1,085,167
Loss for the year	-	-	-	-	-	(1,603,980)	(1,603,980)
Other comprehensive income for the year	-	-	-	-	(167,884)	-	(167,884)
Total comprehensive income for the year	-	-	-	-	(167,884)	(1,603,980)	(1,771,864)
Share-based payments	-	-	123,803	-	-	-	123,803
Transfer to retained earnings in respect of options	-	-	(37,825)	-	-	37,825	-
As at 31 December 2011	19,263,627	5,838,030	396,679	261,220	29,595	(19,275,678)	6,513,473

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital	Share premium account	Share option reserve	Other reserves	Cumulative translation reserves	Retained deficit	Total
	£	£	£	£	£	£	£
As at 1 January 2012	19,263,627	5,838,030	396,679	261,220	29,595	(19,275,678)	6,513,473
Profit for the period	-	-	-	-	-	177,470	177,470
Other comprehensive income for the period	-	-	-	-	14,396	15,000	29,396
Total comprehensive income for the period	-	-	-	-	14,396	192,470	206,866
Share-based payments	-	-	36,515	-	-	-	36,515
Equity component of revised convertible loan notes	-	-	-	181,708	-	-	181,708
As at 30 June 2012	19,263,627	5,838,030	433,194	442,928	43,991	(19,083,208)	6,938,562

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2012

		Unaudited six months ended 30 June		Audited year ended 31 December
	Appendices	2012 £	Restated 2011 £	2011 £
Net cash used in operating activities	a	(290,417)	(416,607)	(228,512)
Net cash used in investing activities	b	(414,846)	(811,298)	(1,349,596)
Net cash (used in)/from financing activities	c	(500,000)	-	1,085,167
Net decrease in cash and cash equivalents		(1,205,263)	(1,227,905)	(492,941)
Cash and cash equivalents at beginning of period		2,299,546	2,750,399	2,750,399
Effect of foreign exchange rate changes		1,741	2,520	42,088
Cash and cash equivalents at end of period		1,096,024	1,525,014	2,299,546

APPENDICES TO THE CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2012

	Unaudited six months ended 30 June		Audited year ended 31 December
	2012 £	Restated 2011 £	2011 £
a Operating activities			
Profit/(loss) before taxation	387,516	(1,044,257)	(1,528,732)
Investment income	(5,357)	(389)	(939)
Finance costs	70,991	73,058	147,919
Adjustments for:			
Depreciation of property, plant and equipment	229,355	484,843	660,794
Impairment of property, plant and equipment	89,890	-	457,131
Decommissioning	-	-	9,616
Share-based payments	36,515	8,273	123,803
Effect of foreign exchange rate changes	43,551	11,589	(158,953)
Operating inflow/(outflow) before movements in working capital	852,461	(466,883)	(289,361)
(Increase)/decrease in inventories	(325,270)	60,512	68,438
(Increase)/decrease in trade and other receivables	(720,992)	38,476	(826,417)
(Decrease)/increase in trade and other payables	(30,168)	13,769	938,578
Cash used in operations	(223,969)	(354,126)	(108,762)
Income tax paid	-	(2,646)	(6)
Interest paid	(66,448)	(59,835)	(119,744)
Net cash used in operating activities	(290,417)	(416,607)	(228,512)
b Investing activities			
Interest received	5,357	389	939
Proceeds from sale of available-for-sale investment	15,000	-	-
Purchase of property, plant and equipment	(77,209)	(241,699)	(173,557)
Purchase of intangible exploration and evaluation assets	(357,994)	(569,988)	(1,176,978)
Net cash used in investing activities	(414,846)	(811,298)	(1,349,596)
c Financing activities			
Proceeds from issue of shares	-	-	1,160,000
Expenses of issue of shares	-	-	(74,833)
Repayment of convertible loan notes	(500,000)	-	-
Net cash (used in)/from financing activities	(500,000)	-	1,085,167

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. ACCOUNTING POLICIES

Basis of preparation

This Report was approved by the Directors on 6 September 2012.

The condensed consolidated interim financial statements have been prepared in accordance with the recognition and measurement principles of International Accounting and Financial Reporting Standards ("IFRS") as adopted in the EU.

The condensed consolidated interim 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. The functional currency of the parent company is also pounds sterling.

The company is domiciled in the United Kingdom. The company is listed on AIM.

The current and comparative periods to June have been prepared using the accounting policies and practices consistent with those adopted in the annual financial statements for the year ended 31 December 2011 and are also consistent with those which will be adopted in the 31 December 2012 financial statements. Comparative figures for the year ended 31 December 2011 have been extracted from the statutory financial statements for that period which carried an unqualified audit report, did not contain a statement under section 498(2) or (3) of the Companies Act 2006 and have been delivered to the Registrar of Companies.

The Financial Information contained in this report does not constitute statutory accounts as defined by section 434 of the Companies Act 2006. This report has not been audited or reviewed by the Group's auditors.

During the first six months of the current financial year there have been no related party transactions that materially affect the financial position or performance of the Group and there have been no changes in the related party transactions described in the last annual financial report.

The principal risks and uncertainties of the Group have not changed since the publication of the last annual financial report where a detailed explanation of such risks and uncertainties can be found.

2. 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 as presented below:

	Unaudited six months ended 30 June	Restated 2011	Audited year ended 31 December 2011
	2012	2011	2011
	£	£	£
Revenue			
Mexico	3,400,665	1,240,651	3,678,126

	Unaudited six months ended 30 June		Audited year ended 31 December
	2012	Restated 2011	2011
	£	£	£
Segmental results			
USA	(288,963)	(390,562)	(591,579)
Mexico	1,113,668	(347,361)	(10,405)
	<hr/>	<hr/>	<hr/>
Total segment results	824,705	(737,923)	(601,984)
Unallocated results	(437,189)	(306,334)	(926,748)
Current and deferred tax	(210,046)	11,276	(75,248)
	<hr/>	<hr/>	<hr/>
Profit/(loss) for the period	177,470	(1,032,981)	(1,603,980)
	<hr/>	<hr/>	<hr/>
Net assets			
USA	5,314,042	4,382,061	5,125,524
Mexico	2,337,368	2,422,510	1,896,654
	<hr/>	<hr/>	<hr/>
Total segment net assets	7,651,410	6,804,571	7,022,178
Unallocated net liabilities	(712,848)	(741,372)	(508,705)
	<hr/>	<hr/>	<hr/>
Total net assets	6,938,562	6,063,199	6,513,473
	<hr/>	<hr/>	<hr/>

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.

3. TAXATION

	Unaudited six months ended 30 June		Audited year ended 31 December
	2012	Restated 2011	2011
	£	£	£
Current tax - foreign	148,985	-	160,325
Deferred tax	61,061	(11,276)	(85,077)
	<hr/>	<hr/>	<hr/>
Tax charge/(credit)	210,046	(11,276)	75,248
	<hr/>	<hr/>	<hr/>

4. DIVIDENDS

The directors do not recommend the payment of a dividend for the period.

5. PROFIT/(LOSS) PER ORDINARY SHARE

Basic profit/(loss) per Ordinary Share is calculated by dividing the net profit/(loss) for the period attributable to owners of the parent company by the weighted average number of Ordinary Shares outstanding during the period. The calculation of the basic and diluted profit/(loss) per Ordinary Share is based on the following data:

	Unaudited six months ended 30 June	Restated 2011	Audited year ended 31 December
	2012	2011	2011
	£	£	£
Profits/(losses)			
Profit/(loss) for the purpose of basic profit/(loss) per share being net profit/(loss) attributable to owners of the parent company	177,470	(1,032,981)	(1,603,980)
	Number	Number	Number
Number of shares			
Weighted average number of shares for the purposes of basic profit/(loss) per share	442,923,658	326,923,658	347,899,000
Profit/(loss) per Ordinary Share			
Basic and diluted	0.04p	(0.32p)	(0.46p)

There is no dilutive effect from the existing share options or convertible loan notes.

6. CAPITAL AND RESERVES

Share option reserve

The share option reserve includes an expense based on the fair value of share options issued since 7 November 2002.

Other reserves

The other reserves represent recognition of the equity component of the convertible loan notes.

Cumulative translation reserves

The translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of operations that do not have a sterling functional currency. Exchange differences are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in the income statement in the period in which the operation is disposed of.