Amur Minerals

AMUR MINERALS CORPORATION AND ITS SUBSIDIARIES

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2011

Dear Shareholder:

It is with pleasure that I can report to the shareholders of Amur Minerals Corporation on the Company's progress during 2011. Exploration at the Company's Kun-Manie project in Far East Russia has indicated that there is substantial potential to increase resources at known deposits and in previously unexplored areas. Despite the difficult financial markets, the Company has continued to strengthen its cash position through fund raising and the continual monitoring of costs.

2011 Highlights

- Cash and cash equivalents have increased from US$3.1 million to US$4.4 million
- In May 2011 the Lanstead Capital LLP's (Lanstead) July 2010 and October 2010 placings were fully settled on an agreed accelerated basis with total proceeds of US$3.2 million
- The Company completed an additional fund raising in March 2011 with Lanstead for US$4 million (£2.5 million) of which proceeds of US$1.2 million were received by 31 December 2011
- VAT refunds totalling RUR36 million (US$1.2 million) were received throughout the year
- Completion of an extensive geochemical and geophysical programme aimed at extending known deposits with defined resources and to delineate new targets for the 2012 drilling programme
- Commencement of a metallurgical test work programme by SGS Minerals (SGS)
- Acquisition of diamond core drilling rig for use in the 2012 drilling programme

Financial Overview

The Company remained debt free through 2011 and was able to increase its cash reserves from US$3.1 million to US$4.4 million during the year.

The first source of additional funds came through the acceleration and closure of the Lanstead Capital LLP (Lanstead) financing that was originally entered into in July 2010 and October of 2010. At the beginning of 2011 there were 18 unexercised monthly settlements of the original 24, which Lanstead in agreement with the Company undertook to exercise on an accelerated basis with the final settlement made in May 2011. Because the Company's share price was higher than that defined in the financing, the Company was able to realise proceeds more than double the amount that was originally anticipated from US$1.4 million to US$3.4 million.

Secondly, the Company entered in another placing and equity swap price mechanism with Lanstead in March 2011 for US$4.044 million (£2.5 million) by placing 25 million new shares. During the year the Company received seven of the 24 settlements with total proceeds thus far being US$1.2 million.

During the year refunds of Russian Value Added Tax (VAT) to our ZAO Kun-Maine subsidiary added RUR36 million (approximately US$1.2 million), which brings up to date and to a close all outstanding historical VAT claims.

Exploration Overview

The 2011 exploration programme included an extensive soil geochemical, rock chip sampling, geophysical surveys, trenching activities and geological reconnaissance covering the Kurumkon Trend area within the Company's exploration licence area. The focus was on the 15 kilometre by 2.5 kilometre Kurumkon Trend, which is the area that the Company has applied for a mining licence. The Kurumkon Trend is geographically divided into three zones – West, Central and East. Each zone containing a nickel-copper deposit explored by diamond drill core drilling. The three deposits are identified as Maly Kurumkon (West), Vodorazdelny (Central) and Ikenskoe (East). Resources and reserves are drilled to Joint Ore Reserve Committee (JORC) standard and independently estimated by SRK Consulting. The objective of the 2011 programme was to define extensions immediately adjacent to these deposits and to identify the potential that the three deposits could be much larger in scale. The second area, known as Yan Hegd, is a 20 square kilometres zone located approximately 10 kilometres northeast of the Kurumkon Trend. Soil geochemical sampling has defined a large nickel copper anomaly in the area.

West Zone

This West Zone contains the Maly Kurumkon deposit which has a length of approximately 1,000 metres and contains the following JORC drilled resource and reserve estimate:

	Tonnage (Mt)	*Ni (%)*	*Ni (t)*	*Cu (%)*	*Cu (t)*
Indicated	15.0	0.49	73,700	0.13	19,900
Inferred	11.2	0.56	62,800	0.16	17,800
Total	26.2	0.52	136,500	0.14	37,700

2011 exploration results indicate that mineralisation could continue for another 1,250 metres to the southeast towards the Gorni target that was identified in 2008. Drilling along the eastern flank of Maly Kurumkon is planned for 2012 to further add to the resources and reserves of the Maly Kurumkon deposit.

Additional trenching work was carried out on the Gorni target, located approximately four kilometres to the east of Maly Kurumkon deposit. Trenching indicates that the nickel and copper host structure continues to the west toward Maly Kurumkon. Additional soil geochem results located between Maly Kurumkon and Gorni suggest that this could be a single larger target having a length approaching 4 to 5 kilometres.

Also located within the West Zone is the Chroney Ispelene target. Soil and rock chip sampling results at the Chorney Ispelene target, define an anomaly up to six kilometres in length. Further sampling, trenching and drilling will be undertaken in 2012 will be undertaken to determine the geological structure of the target.

Central Zone

This Central Zone contains the Vodorazdelny deposit consisting of the JORC drilled resource and reserve:

	Tonnage (Mt)	*Ni (%)*	*Ni (t)*	*Cu (%)*	*Cu (t)*
Indicated	5.9	0.71	41,800	0.20	11,800

Soil geochemical work was carried out in an area immediately adjacent to the east of Vodorazdelny in which prior years wildcat drilling had intersected mineralisation along a 500 to 1,000 metre target referred to as Falcon.

East Zone

The East zone contains the Ikenskoe deposit with the JORC drilled resource and reserve:

	Tonnage (Mt)	*Ni (%)*	*Ni (t)*	*Cu (%)*	*Cu (t)*
Measured	3.7	0.61	22,700	0.16	5,800
Indicated	26.8	0.42	111,300	0.12	32,700
Sub-total	30.5	0.44	134,000	0.13	38,500
Inferred	5.9	0.49	28,700	0.13	7,500
Total	36.4	0.45	162,700	0.13	46,000

Geochemical and geophysical results confirm the presence of anomalous nickel and copper grades immediately to the south and east of Ikenskoe. Drilling is planned for the later part of the 2012 field season with the aim to increase the resources and reserves of the Ikenskoe deposit.

Kubuk is also located within the Eastern Zone. It is approximately 4 kilometres to the east of Ikenskoe. Trenching and geochemcial sampling in 2011 identified an intense nickel and copper anomalies at Kubuk. These anomalies are up to 1,000 metres in length. Geological mapping, rock chip and soil geochemical sampling did not cover the full length of the anomaly in both the east and west directions. Additional soil sampling work is to be undertaken in 2012 between the Ikenskoe and Kubuk areas. Geological reconnaissance indicates that the intervening area between the Kubuk and Ikenskoe areas could host additional deposits. A gridded drilling programme will be conducted in 2012 at Kubuk on a spacing that will enable the calculation of resource and reserves.

SRK Consulting – Total JORC Resource

	Tonnage (Mt)	*Ni (%)*	*Ni (t)*	*Cu (%)*	*Cu (t)*
Measured	3.7	0.61	22,700	0.16	5,800
Indicated	47.7	0.48	226,800	0.13	64,400
Inferred	17.1	0.54	91,500	0.15	25,300
Total	68.5	0.50	341,000	0.14	95,500

SRK Consulting – Total JORC Reserve

Deposit	*Ore (Mt)*	*Waste (Mt)*	*Stripping Ratio*	*Average Ni Grade %*	*Ni (t)*	*Average Cu Grade (%)*	*Cu (t)*
West	10.8	69.9	5.5:1	0.50	54,200	0.14	14,900
Central	5.3	2.6	0.5:1	0.73	38,500	0.20	10.800
East	15.4	42.9	2.7:1	0.51	77,900	0.14	22,200
Probable Ore Reserve	31.5	108.8	2.85:1	0.54	170,500	0.15	47,900

Yan Hegd

The 2011 geochemical sampling programme has defined a large anomaly covering an area which is approximately 3.5 to 4.0 square kilometres. Further trenching and some drilling will be carried out in 2012 to further define the type and source of the mineralisation in the area.

Other Exploration News

In the last quarter of 2011 SGS commenced metallurgical test work as recommended by SRK in their 2007 pre-feasibility report. Three studies where undertaken to assess the metallurgical character and metallurgical response of the ore at various grade ranges throughout the drilled reserve areas. Mineralogical analyses of the ores were also conducted. Results of the test work became available as a post year end event and it was confirmed that the metallurgical recoveries of all metals could be increased over that utilised by SRK in the pre feasibility study. The work also confirmed that the process plant design documented within the pre feasibility study was suitable for the recovery of metal at Kun-Manie.

In the last quarter of 2011, the Company purchased a new LF-70 Boart Longyear diamond core drilling rig for the 2012 field season which will substantially reduce drilling costs per metre with an expected payback of 7,500 metres. The rig has an expected operational life of five to seven years.

Licenses

The current exploration license for Kun-Maine expires on the 31 December 2012 and an application for the license extension has been submitted in May 2012, being six months prior to the expiry date as prescribed by the license terms. The application is submitted to Rosnedra, the Russian Mining Agency responsible for the approval of the extension. Previously, the Company has requested extensions of the exploration licence which have been successfully granted.

Application for the mining license has been reviewed by the Ministry of Defence (MOD), Anti-Monopoly Board (FAS), and State Security (FSB) with each of these agencies reporting to Rosnedra their acceptance of the application. The Ministry of Economic Development (MED) is the final agency to report to Rosnedra, which is in the process of developing pricing data to set the value of the concentrate based on available metallurgical test work. No delivery date for the final report has been provided by MED. The management of the Company maintain regular contact with both MED and Rosnedra.

In March 2011 the Kustak license was returned to the Russian authorities to allow the Company to focus its attention and funds on the primary asset of Kun-Maine and its extensive potential for increase in resources.

Outlook

The Company is now entering an exciting period in which we are optimistic that the 2012 drilling programme will show significant increase in resource and reserves within the Maly Kurumkon Trend immediately adjacent drilled deposits and along the trend between the drilled deposits. Also the metallurgical test work results from SGS have shown a significant potential for increase in metal recovery. We also look forward to receiving approval for the mining license. Lastly, I would like to thank all the staff for their dedication and hard work throughout this and the coming year.

Mr. Robert Schafer
Non Executive Chairman
22 June 2011

The Directors present their annual report and the audited financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The Group's principal activity during the year was that of mineral exploration and development. A full review of the activity of the business and of future prospects is contained in the Chairman's Statement which accompanies these financial statements.

RESULTS AND DIVIDENDS

The results for the year are disclosed in the Statement of Comprehensive Income on page 11. The Directors do not recommend payment of a dividend for the year (2010: nil).

DIRECTORS

The number of Directors as at 31 December 2011 was 3 (2010: 3). Details of Directors remuneration and other interests are detailed in note 19.

LISTING

The Company's ordinary shares have been traded on London's Alternative Investment Market (AIM) since 15 March 2006. RBC Capital Markets is the Company's Nominated Adviser and Joint Broker. The share price at 31 December 2011 was 9.75p.

GOING CONCERN

In the absence of production revenues, the Group is currently dependent upon its existing financial resources which comprises cash and derivative financial asset (note 8), and its ability to raise additional finance through share placings to satisfy its obligations and fully finance its exploration and evaluation programme for Kun-Manie. Failure to meet these exploration and evaluation commitments could put the related licence interest at risk of forfeiture.

The Directors have reviewed future cash forecasts, with particular reference to the minimum expenditure requirements on licences and the intended work programme for the next 12 months, and have reasonable expectation that the Group will have adequate resources to meet its commitments. Accordingly the financial statements have been prepared on a going concern basis.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the Group's business and the execution of its strategy are subject to a number of risks. Risks are formally reviewed by the Board and appropriate processes put in place to monitor and mitigate them. If more than one event occurs, the overall impact of such events may compound the possible adverse effects on the Group.

The key financial risks affecting the Group are set out in note 24 to the financial statements. The key operating risks affecting the Group are set out below.

The Group's licences
The Group's activities are dependent upon the grant and renewal of appropriate licences, permits and regulatory consents. The Group's primary exploration licence is currently valid until 31 December 2012 and the application for the licence extension has been submitted in May 2012. The licence contains a range of obligations, including those described in note 5 to the financial statements, which at present have all been met. Failure to comply with the terms of the license, or negotiating appropriate amendments to licence agreements could result in penalties being levied or the suspension or revocation of the licence.

Project development risks
Resource estimates are based upon the interpretation of geological data. Project feasibility studies derive estimates of operating costs based upon anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, expected recovery rates and other factors. As a result, actual operating costs and economic returns may differ from those currently estimated.

Reserve and resource estimates
Reserve and resource estimates may require revision based on actual production experience. The volume and grade of reserves mined and processed and recovery rates achieved may vary from those anticipated and a decline in the market price of metals may render reserves containing relatively lower grades of nickel and copper mineralisation uneconomic.

Environmental issues
The Group's operations are subject to environmental regulation, including environmental impact assessments and permitting. Russian environmental legislation comprises numerous federal and regional regulations which are not fully harmonised and may not be consistently interpreted.

Nickel price volatility
The net present value of the Group's capitalised exploration assets is directly related to the long-term price of nickel. The market price of nickel is volatile and is affected by numerous factors which are beyond the Company's control. These factors include world production levels, international economic trends, currency exchange fluctuations and industrial demand.

Political and economic risks
The Group's assets are located in Russia which is still undergoing a substantial transformation from a centrally controlled command economy to a market-driven economy. In addition, in view of the legal and regulatory regime in Russia, legal inconsistencies may arise.

The regulatory environment
The Group's activities are subject to extensive federal and regional laws and regulations governing various matters, including licensing, production, taxes, mine safety, labour standards, occupational health and safety and environmental protections. Amendments to current laws and regulations governing operations and activities of mining companies or more stringent implementation or interpretation of these laws and regulations could have a material adverse impact on the Group, cause a reduction in levels of production and delay or prevent the development or expansion of the Group's properties in Russia.

Taxation
Russian tax legislation has been subject to frequent change and some of the laws relating to taxes to which the Group is subject are relatively new. The government's implementation of such legislation, and the courts' interpretation thereof, has been often unclear or nonexistent, with few precedents established. Differing opinions regarding legal interpretation may exist both among and within government ministries and organisations and various local inspectorates. The introduction of new tax provisions may affect the Group's overall tax efficiency and may result in significant additional tax liability.

Russia's physical infrastructure
Some of Russia's physical infrastructure is in poor condition. This may disrupt the transportation of supplies, add to costs and interrupt operations, with a potentially material adverse effect on the Group's business.

POLICY FOR PAYMENT OF CREDITORS

It is Group policy to agree and clearly communicate the terms of payment as part of the commercial arrangement negotiated with suppliers and then to pay according to those terms. The Company is a holding company and therefore has few suppliers.

Credit facilities are rarely available for pre-production companies in Russia on terms the Directors would consider acceptable. ZAO Kun-Manie is frequently obliged to pre-pay or make advance and stage payments for services supplied. Therefore, it is not appropriate to ascertain the average days of credit.

AUDITORS

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

DONATIONS

The Company has not made any charitable or political donations during the year (2010: nil).

Approved by the Board of Directors and signed on behalf of the Board on 22 June 2012.

Robert W. Schafer
Chairman
22 June 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2011

The Directors are responsible for preparing the Directors' report and the financial statements for the Group. The Directors have prepared the financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year.

The Directors have chosen to use the International Financial Reporting Standards as adopted by the European Union (IFRS) in preparing the Group's financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of financial statements.

International Accounting Standards requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and accounting estimates that are reasonable and prudent;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- state that the group has complied with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for ensuring the annual report and the financial statements are made available on a website, in addition to being mailed to shareholders, financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Robin Young Director 22 June 2012	Brian Savage Director 22 June 2012

To the members of Amur Minerals Corporation

We have audited the consolidated financial statements of Amur Minerals Corporation for the year ended 31 December 2011 which comprise consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards as adopted by the European Union (IFRS).

This report is made solely to the Company's members, as a body in accordance with our engagement letter dated 23 January 2012.Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation and fair presentation of the financial statements. Our responsibility is to audit and express an opinion on the financial statements in accordance with 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:

- present fairly, in all material respects the state of the Group's affairs as at 31 December 2011 and its loss for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and

Opinion on other matters
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.

BDO LLP
Chartered Accountants
55 Baker Street
United Kingdom

Date 22 June 2012

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

(Amounts in '000s US Dollars)

	Notes	31 December 2011	31 December 2010
NON-CURRENT ASSETS			
Capitalised exploration costs	5	13,503	13,685
Property, plant and equipment	5	400	466
VAT Receivable	9	-	299
Total non-current assets		**13,903**	**14,450**
CURRENT ASSETS			
Cash and cash equivalents		4,436	3,066
Inventories	7	165	167
Derivative financial asset	8	2,001	3,806
VAT receivable	9	73	24
Other receivables	10	711	152
Total current assets		**7,386**	**7,215**
Total assets		**21,289**	**21,655**
CURRENT LIABILITIES			
Trade and other payables	6	102	109
Total current liabilities		**102**	**109**
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital	13	32,265	28,183
Share premium	13	7,071	7,233
Share options reserve	13	1,604	1,390
Retained deficit	13	(16,686)	(12,804)
Foreign exchange translation reserve	13	(3,067)	(2,446)
Total equity		**21,187**	**21,556**
Total liabilities and equity		**21,289**	**21,665**

The financial statements were approved and authorised for issue by the Board of Directors on 22 June 2012 and were signed on its behalf by:

Robin Young   Brian Savage

The accompanying notes on pages 14 to 35 form an integral part of these financial statements.

(Amounts in '000s US Dollars)

	Note	Year ended 31 December 2011	Year ended 31 December 2010
Other administrative expenses	15	(2,892)	(1,607)
Impairment of capitalised exploration costs	5	-	(321)
Total administrative expenses		(2,892)	(1,928)
Loss from operations		**(2,892)**	**(1,928)**
Finance income	16	20	24
Finance expense	17	(231)	(5)
Fair value (loss)/gain on derivative financial assets	8	(1,505)	2,602
Loss on disposal of investment held	11	-	(328)
Profit/(Loss) before tax		**(4,608)**	**365**
Taxation	12	-	-
Profit/(loss) for the year attributable to owners of the parent		**(4,608)**	**365**
Other Comprehensive income:			
Exchange differences on translation of foreign operations		**(621)**	**(133)**
Other comprehensive income for the year, net of tax		**(621)**	**(133)**
Total comprehensive income for the year attributable to owners of the parent		**(5,229)**	**232**
Profit/(Loss) per share: basic & diluted	18	US$(0.017)	US$0.002

The accompanying notes on pages 14 to 35 form an integral part of these financial statements.

(Amounts in '000s US Dollars)

	Note	Year ended 31 December 2011	Year ended 31 December 2010
Cash flow from operating activities:			
Payments to suppliers and employees		(2,761)	(1,201)
Net cash used in operating activities		(2,761)	(1,201)
Cash flow from investing activities:			
Payments to acquire financial assets		-	-
Proceeds from sale of asset held	11	-	363
Payments for capitalised expenditure		(1,256)	(492)
Recovery of VAT receivable		1,236	-
Net cash used in investing activities		(20)	(129)
Cash flow from financing activities:			
Proceeds from issue of equity shares		4,344	3,527
Net cash from financing activities		4,344	3,527
Net change in cash and cash equivalents		**1,563**	**2,197**
Cash and cash equivalents at the beginning of the year		3,066	997
Foreign exchange effects		(193)	(128)
Cash and cash equivalents at the end of the year		**4,436**	**3,066**

The accompanying notes on pages 13 to 35 form an integral part of these financial statements.

AMUR MINERALS CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

(Amounts in '000s US Dollars)

	Share capital	Share premium account	Retained deficit	Share Options Reserve	Foreign Currency Translation Reserve	Total
Balance at 31 December 2009	**22,990**	**7,620**	**(13,169)**	**1,390**	**(2,313)**	**16,518**
Profit for the year	-	-	365	-	-	365
Other comprehensive income for the year	-	-	-	-	(133)	(133)
Shares issued	5,193	-	-	-	-	5,193
Costs associated with issue of share capital	-	(387)	-	-	-	(387)
Balance at 31 December 2010	**28,183**	**7,233**	**(12,804)**	**1,390**	**(2,446)**	**21,556**
Loss for the year	-	-	(4,608)	-	-	**(4,608)**
Other comprehensive income for the year	-	-	-	-	(621)	**(621)**
Shares issued	4,082	-	-	-	-	**4,082**
Share options expired in the period	-	-	726	(726)	-	**-**
Equity settled share based payments	-	-	-	940	-	**940**
Costs associated with issue of share capital	-	(162)	-	-	-	**(162)**
Balance at 31 December 2011	**32,265**	**7,071**	**(16,686)**	**1,604**	**(3,067)**	**21,187**

The accompanying notes on pages 14 to 35 form an integral part of these financial statements.

1. GENERAL

Amur Minerals Corporation ("Company") is incorporated under the British Virgin Islands Business Companies Act 2004. The Company and its subsidiaries ("Group") locates, evaluates, acquires, explores and develops mineral properties and projects in the Russian Far East.

The Company's registered office is located at Kingston Chambers, P.O. Box 173, Road Town, Tortola, British Virgin Islands. The average number of employees for the Group for the period to 31 December 2011 was 31 (2010: 16 employees).

The Company is the 100% owner of a Cypriot company called Irosta Trading Limited ("Irosta"). Irosta holds 100% of the shares in ZAO Kun-Manie ("Kun-Manie"), which holds the Group's mineral licences. The Group includes the following companies as at 31 December 2011 and 31 December 2010:

	Country of Incorporation	Percentage Holding	Principal Activities
Amur Minerals Corporation	British Virgin Islands	Parent Company	Investment Holding Company
Irosta Trading Limited	Cyprus	100%	Investment Holding Company
ZAO Kun – Manie	Russia	100%	Exploration & mining Company

The Group's principal place of business is in the Russian Federation.

The Group's principal asset is the Kun-Manie licence, which was originally issued in 2004 to explore for nickel, copper and associated elements initially until 31 December 2008. Amurnedra, the local licensing authority, extended the exploration licence term for two years until 31 December 2010, and granted a further extension of the exploration licence for two years until 31 December 2012. In May 2012 the Group lodged an application for the extension of the licence and currently waiting for the response. The State Committee of Reserves has approved Russian classification C1 + C2 reserves of 203,900 tons of nickel at Kun-Manie in December 2008. Subsequently, the Group received a certificate of discovery conveying the right to apply for a 20 year mining licence at Kun-Manie. ZAO Kun-Manie has applied for the licence and a decision from the authorities is pending.

In December 2007 SRK Consulting completed an independent pre-feasibility assessment of the Vodorazdelny, Ikenskoe and Maly Krumkon areas of the Kun-Manie licence, based on the analytical results from the exploration data set for all holes and trenches that had been completed over the exploration life of the project, inclusive of the work undertaken and results obtained during the 2006 exploration field season for Vodorazdelny and Ikenskoe and 2007 for Maly Krumkon. SRK Consulting is a global entity specialising in the assessment of mining resources. SRK reports a net present value for the project using a discount rate of 10% of US$84 million.

The Group has another mineral licence, namely Kustak, which is adjacent to the Kun-Manie licence. The Kustak licence was acquired at auction in February 2007 and is valid for 25 years. It is a combined exploration and production licence. As part of a cost reduction measure the Company has decided to focus its attention on the Kun-Manie licence and returned the Kustak licence to the Russian authorities in March 2011.

2. BASIS OF PRESENTATION

a) Statement of compliance

The financial statements have been presented in thousands of United States Dollars and prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) that are effective for accounting periods beginning on or after 1 January 2011. The principal accounting policies adopted in the preparation of the financial statements are set out in note 3 to these financial statements. The policies have been consistently applied to all the years presented, unless otherwise stated.

b) Going concern

These consolidated annual financial statements are prepared on a going concern basis.

The Group operates as a natural resources exploration and development company. To date, the Group has not earned significant revenues and is considered to be in the exploration and development stage. The Directors anticipate that a mining licence will eventually be granted for the Kun-Manie deposit, but cannot estimate a date for commercial production to commence. The Group is currently dependent upon its existing financial resources which comprise cash and derivative financial asset, and its ability to raise additional finance through share placings to satisfy its obligations and fully finance its exploration and evaluation programme for Kun-Manie. Failure to meet these exploration and evaluation commitments could put the related licence interests at risk of forfeiture.

The Directors have reviewed future cash forecasts, with particular reference to the minimum expenditure requirements on licences and the intended work programme for the next 12 months, and have reasonable expectation that the Group will have adequate resources to meet its commitments. Accordingly the financial statements have been prepared on a going concern basis.

c) Basis of consolidation

The consolidated financial statements of the Group include the accounts of Amur Minerals Corporation and its subsidiaries. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. The accounting policies and financial year ends of its subsidiaries are consistent with those applied by the Company. These consolidated financial statements include accounts of the Company and its subsidiaries as set out in note 1.

The Company's Russian subsidiary maintains its books and records in accordance with accounting principles and practices mandated by Russian Accounting Regulations. These records have been adjusted to comply with IFRS for the purposes of preparing these consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

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

These financial statements have been prepared on the basis of a going concern and in line with IFRS. The adoption of all of the new and revised Standards and Interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to the operations and effective for annual reporting periods beginning on 1 January 2011 are reflected in these financial statements.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the consolidated financial statements, are disclosed in this note.

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

(Amounts in '000s US Dollars)

The following new standards, interpretations and amendments to existing standards have been adopted by the Group:

International Accounting Standards (IAS/IFRS)

		Effective date
IAS 27	- Amendment - Consolidated and separate financial statements	1 July 2009
IFRS 3	- Revised - Business Combinations	1 July 2009
IAS39	- Amendment - Financial Instruments: Recognition and Measurement: Eligible Hedged Items	1 July 2009
IAS39	- Amendment Reclassification of financial assets: effective date and transition	1 July 2009
IFRIC 9 & IAS39	- Amendment - Embedded Derivatives	1 January 2010
IFRS 2	- Amendment – Group cash settled share-based payments	1 January 2010
IFRS 1	- Amendment – Additional exemptions for first-time adopters	1 January 2010
Improvements to IFRSs	- Amendments to various statements issued 6 May 2010	1 January 2010

International Financial Reporting Interpretations (IFRIC)		Effective date
IFRIC 16	- Hedges of Net Investment in a Foreign Operation	1 January 2010
IFRIC 17*	- Distributions of non-cash assets to owners	1 January 2010
IFRIC 18*	- Transfers of assets from customers	1 January 2010

The adoption of these standards, interpretations and amendments did not affect the Group's results of operations or financial positions. No other IFRS issued and adopted but not yet effective are expected to have an impact on the Group's financial statements.

(ii) Standards, amendments and interpretations, which are effective for reporting periods beginning after the date of these financial statements which have not been adopted early:

Standard	**Description**	**Effective date**
IAS 32	Amendment - Classification of Right Issues	1 Feb 2010
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 Jul 2010
IFRS 1	Amendment - First Time Adoption of IFRS	1 Jul 2010
IAS 24	Revised - Related Party Disclosures	1 Jan 2011
IFRIC 14	Amendment - IAS 19 Limit on a defined benefit asset	1 Jan 2011
IFRS 7 *	Amendment - Transfer of financial assets	1 Jul 2011
IFRS 1 *	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 Jul 2011
Improvements to IFRSs (2010) *	Miscellaneous amendments resulting from the IASB's annual improvements projects	1 Jan 2011
IAS 12 *	Deferred Tax: Recovery of Underlying Assets	1 Jan 2012
IFRS 9 *	Financial instruments	1 Jan 2013
IFRS 10 *	Consolidated financial statements	1 Jan 2013
IFRS 11 *	Joint arrangements	1 Jan 2013
IFRS 12 *	Disclosure of Involvement with Other Entities	1 Jan 2013
IFRS 13*	Fair value measurement	1 Jan 2013
IAS 28*	Investments in Associates (revised 2011)	1 Jan 2013
IAS 27*	Separate Financial Statements (revised 2011)	1 Jan 2013

All the amendments and interpretations are not expected to materially affect the Group's reporting or reported numbers.

* Not yet endorsed by European Union.

a) Functional and presentation currency

Items included in the financial information of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial information is presented in US dollars ($), which is the functional and presentation currency of the Company. The exchange rate on 31 December 2011 was £1:$1.55 (2010: £1:$1.55) and $1:RUB 32.08 (2010: $1:RUB 30.52). The average rates applied to transactions during the year were £1:$1.61 (2010: £1:$1.55) and $1:RUB 29.33 (2010: $1:RUB 30.31).

In preparing the financial statement of the individual entities, transactions in currencies other than the entity’s functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the date of the transaction. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date.

Exchange differences arising on the settlement and on the retranslation of monetary items are included in profit or loss for the period.

On consolidation, the results of overseas operations are translated into US$ at rates approximating to those when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in equity (the "foreign exchange reserve").

Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to other comprehensive income and accumulated in the foreign exchange reserve on consolidation.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal.

b) Segmental Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers have been identified as the Chief Executive Officer, Chief Financial Officer and the other executive and non-executive Board Members.

The operating results of each of these segments are regularly reviewed by the Group’s chief operating decision makers in order to make decisions about the allocation of resources and to assess their performance.

The accounting policies of these segments are in line with those set out in these notes.

c) Exploration and evaluation assets

When the Group incurs expenditure on mining properties that have not reached the stage of commercial production, the costs of acquiring the rights to such mineral properties and related exploration and evaluation costs, including directly attributable employment costs, are deferred where the expected recovery of costs is considered probable by the successful exploitation or sale of the asset. General overheads are expensed immediately. Depreciation on fixed assets used on exploration and evaluation projects is charged to deferred costs whilst the projects are in progress.

Where a feasibility study indicates that the future recovery of costs is not probable, full provision is made in respect of any deferred costs. Where mining properties are abandoned, deferred expenditure is written off in full.

Deferred exploration and evaluation costs are assessed at each reporting date to determine whether there are indicators that the asset may be impaired. If any such indicator exists, a review for impairment is conducted, by estimating the recoverable amount by reference to the net present value of expected future cash flows of the relevant income generating unit or disposal value if higher. If the recoverable amount is less than the carrying value of an asset, an impairment loss is recognised.

Individual mining properties are considered to be separate cash generating units for this purpose, except where they would be operated together as a single mining business.

The amounts shown as deferred exploration and evaluation expenditure represent costs incurred and do not necessarily reflect present or future values.

d) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life as follows:

	Useful life (years)
Motor vehicles	2
Office and computer equipment	3-8
Heavy machinery	5-7

The costs of maintenance, repairs and replacement of minor items of property, plant and equipment are charged to profit or loss.

e) Inventories

Inventories are stated at the lower of cost and net realisable value and comprise mainly fuel, materials and spare parts. Costs comprise all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

f) Leased Assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset are retained by the lessor (an "operating lease"), the total rentals payable under the lease are charged to profit or loss on a straight-line basis over the lease term.

g) Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax. Taxable profit differs from net profit as reported due to income tax effects of permanent and temporary differences. Non-profit based taxes are included within administrative expenses.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences relating to initial recognition of assets or liabilities that affect neither accounting nor taxable profit are not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

h) Costs associated with the issue of share capital

Costs associated with the issue of shares, net of any taxes, have been set off against share premium.

i) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in Note 14.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

j) Financial Assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its assets as held to maturity.

Loans and Receivables

Other receivables: - these assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially measured at fair value and subsequently carried at amortised cost, using the effective interest rate method, less any provision for impairment. If the need for impairment of a receivable arises, the value of provision, representing the expected loss from not being able to recover such a receivable, is recognised in administrative expenses.

Cash and cash equivalents: - these assets comprise cash, short term deposits and investments in money market funds. Short term deposits comprise deposits made for varying periods of between one day and three months.

Fair value through profit or loss

This category comprises only in-the-money derivatives which are carried in the statement of financial position at fair value with changes in fair value recognised in profit or loss. The Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

Available-for-sale Financial Assets

Non-derivative financial assets not included in the above categories are classified as available-for-sale. There were no available-for-sale assets in 2011. In 2009 and 2010 the available-for-sale assets comprised the Group's investment in shares of Grafton Resources Investments Limited. The shares were admitted to the Official List and to trading on the Main Market of the Irish Stock Exchange on 6 July 2009. The shares were carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in equity. Where there was a significant or prolonged decline in the fair value of an available for sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognised in other comprehensive income, was recognised in profit or loss. Purchases and sales of available for sale financial assets are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the available-for-sale reserve. The investments in Grafton shares were disposed of in October 2010.

k) Financial Liabilities

Other financial liabilities include trade payables and other short-term monetary liabilities, which are initially measured at fair value and subsequently recognised at amortised cost using effective interest rate method.

l) IFRS7 fair value measurement hierarchy

IFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement (note 24). The fair value hierarchy has the following levels:

a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2);
c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within the financial asset or financial liability is determined on the basis of the lowest level input that is significant to the fair value measurement.

m) Share capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The ordinary shares are classified as equity instruments.

n) Critical accounting estimates, assumptions and judgements

The preparation of financial statements requires management to make estimates and assumptions concerning the future, which by definition will seldom result in actual results that match the accounting estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within next financial year are discussed below:

Accounting estimates and assumptions

i. **Recoverability of the exploration and evaluation assets**
The most significant assumption in the preparation of these financial statements relates to the recoverability of capitalised exploration costs included in non-current assets. Management have prepared a cash flow forecast, estimating costs of development of the mine and net profits once the mine has been put into operation. The main amounts and estimates required in calculating the future cash flows are:

- Development costs to date of operations
- Future sale price of metals extracted
- Amount of reserves available for extraction
- Operating expenses per tonne of metal extracted

Based on the cash flow forecast prepared, there is no impairment of the capitalised expenditure to date. However, the exploration is still at an early stage and a change in any of the above areas could result in a significant impact on the estimated future cash flows.

ii. **Russian business environment**
The accompanying financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment. The impact of such differences on the operations and the financial position of the Group may be significant.

iii. **Provisions for liabilities**
As a result of exploration activities the Group is required to make a provision for rehabilitation. Due to the early stage of exploration activity no significant damage has been caused.

Accounting judgements

i. **Exploration and evaluation costs**
The recoverability of the amounts shown in the Group statement of financial position in relation to deferred exploration and evaluation expenditure are dependent upon the discovery of

economically recoverable reserves, continuation of the Group’s interests in the underlying mining claims, the political, economic and legislative stability of the regions in which the Group operates, compliance with the terms of the relevant mineral rights licences, the Group’s ability to obtain the necessary financing to fulfil its obligations as they arise and upon future profitable production or proceeds from the disposal of properties.

ii. Share-based payments

The Company makes equity-settled share-based payments to certain Group employees and advisers. Equity-settled share-based payments are measured at fair value using a Black-Scholes valuation model at the date of grant based on certain assumptions. Those assumptions are described in the notes to the accounts and include, among others, expected,volatility, expected life of the options and number of options expected to vest. More details including carrying values are disclosed in the note to the accounts.

iii. Valuation of available-for-sale assets

In 2010 the Company held shares in an investment company that had shares listed on the Irish Stock Exchange. As none of those shares had ever traded on the exchange, there was no current market price available. The fair value of those shares was estimated by Directors based on comparison of the market value discount to net asset value of other similar listed investment companies. These shares were sold in October 2010 (note 11).

iv. Valuation of derivative financial asset

On the 22 March 2011, the Group placed 25 million shares with Lanstead Capital L.P for the consideration of £2,500,000 (US$4,044,500).

On 22 July 2010 and 19 October 2010, the Group placed 17 million and 6 million shares respectively with Lanstead Capital L.P for the total consideration of £910,000 (US$1,407,588).

In addition the Company and Lanstead Capital L.P. have entered into an equity swap agreement in respect of the above placings for which consideration will be received on a monthly basis over 24 months period (note 8). The amount to be received each month is dependent on the Company’s share price at the end of each month. The Directors have made assumptions in their financial statements about the quantum of the funds receivable at the yearend however there is significant uncertainty underlying these assumptions due to the unpredictable nature of the share prices.

(Amounts in '000s US Dollars)

4. SEGMENT REPORTING

The Group has one reportable segment being Kun-Manie which is involved in the exploration for minerals within the Kun-Manie licence areas in Russia.

The operating results of this segment is regularly reviewed by the Group's chief operating decision makers in order to make decisions about the allocation of resources and assess the performance.

As the Group has no revenue, the following is an analysis of the Group's results from continuing operations by reportable segment.

Reportable information as at 31 December 2011

	Corporate (Unallocated)	Kun-Manie	Total
Administrative expenses	(1,740)	(1,063)	**(2,803)**
Impairment of exploration expenditure	-	-	**-**
Impairment of investment	-	-	**-**
Finance income	20	-	**20**
Finance expense	(231)	-	**(231)**
Fair value (loss)/gain on derivative financial asset	(1,594)	-	**(1,594)**
Taxation	-	-	**-**
Loss for the year	**(3,545)**	**(1,063)**	**(4,608)**
Non-current assets	870	13,033	**13,903**
Inventories	-	165	**165**
Derivative financial asset	2,001	-	**2,001**
Trade and other receivables	80	631	**711**
Current portion of VAT receivable	-	73	**73**
Cash and cash equivalents	4,114	322	**4,436**
Segment assets	**7,065**	**14,224**	**21,289**
Trade and other payables	(97)	(5)	**(102)**
Segment liabilities	**(97)**	**(5)**	**(102)**
Segment net assets	**6,968**	**14,219**	**21,187**
Property, plant and equipment capital expenditure	**-**	**115**	**115**
Exploration capital expenditure	**-**	**1,147**	**1,147**

Reportable information as at 31 December 2010

	Corporate (Unallocated)	Kun-Manie	Total
Administrative expenses	(1,001)	(606)	**(1,607)**
Impairment of exploration expenditure	-	(321)	**(321)**
Impairment of investment	(328)	-	**(328)**
Finance income	24	-	**24**
Finance expense	(5)	-	**(5)**
Fair value (loss)/gain on derivative financial asset	2,602	-	**2,602**
Taxation	-	-	**-**
Profit for the year	**1,292**	**(927)**	**365**
Non-current assets	-	14,450	**14,450**
Inventories	-	167	**167**
Derivative financial asset	3,806	-	**3,806**
Trade and other receivables	88	64	**152**
Current portion of VAT receivable	-	24	**24**
Cash and cash equivalents	2,815	251	**3,066**
Segment assets	**6,709**	**14,956**	**21,665**
Trade and other payables	(106)	(3)	**(109)**

(Amounts in '000s US Dollars)

Segment liabilities	**(106)**	**(3)**	**(109)**
Segment net assets	**6,603**	**14,953**	**21,556**
Property, plant and equipment capital expenditure	**-**	**33**	**33**
Exploration capital expenditure	**-**	**622**	**622**

The accounting policies of the reportable segment are the same as the Group's accounting policies described in note 3. Segment loss represents the loss incurred by the segment without allocation of central administration costs and directors' salaries and finance income or costs. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance.

5. CAPITALISED EXPLORATION COSTS AND PROPERTY, PLANT AND EQUIPMENT

	Vehicles and office & computer equipment	Exploration and evaluation assets	Total
Cost:			
At 1 January 2010	**980**	**13,525**	**14,505**
Additions	33	622	655
Impairments	-	(321)	(321)
Foreign exchange differences	(9)	(141)	(150)
At 31 December 2010	**1,004**	**13,685**	**14,689**
Additions	115	1,147	1,262
VAT Refund	-	(1,236)	(1,236)
Impairments	-	-	-
Foreign exchange differences	(49)	(93)	(142)
At 31 December 2011	**1,070**	**13,503**	**14,573**
Accumulated depreciation:			
At 1 January 2010	**351**	**-**	**351**
Charge for the year	190	**-**	190
Disposals	-	**-**	-
Foreign exchange differences	(3)	-	(3)
		-	
At 31 December 2010	**538**	**-**	**538**
Charge for the year	159	**-**	159
Disposals	-	**-**	-
Foreign exchange differences	(27)	**-**	(27)
At 31 December 2011	**670**	**-**	**670**
Net book value:			
At 31 December 2011	**400**	**13,503**	**13,903**
At 31 December 2010	466	13,685	14,151
At 1 January 2010	629	13,525	14,154

Exploration and evaluation costs
Exploration and evaluation assets relate to the Group's mineral exploration licence, Kun-Manie.

In December 2008 the Kun-Manie exploration licence was extended for two years until 31 December 2010 without any further work commitment. A further extension was granted in September 2010 for an additional two years to 31 December 2012. In May 2012 the Group lodged an application for the extension of the licence and is currently waiting for the response. In addition, in April 2009 RosNedra, the Russian licensing agency granted Kun-Manie a certificate of discovery, which gives the Company the right to convert part of the area into a 20 year mining licence. An application has been made for this mining licence.

(Amounts in '000s US Dollars)

The Kustak licence was acquired at auction in February 2007 and is valid for 25 years. It is a combined exploration and production licence. During 2010 the Group recognised an impairment charge of US$321 thousand (2009: nil) relating to the Board's decision to focus its attention on the Kun-Manie licence and returned the Kustak license to the Russian authorities in March 2011. The impairment charge represents costs capitalised to date in respect of that project.

The carrying value of the exploration and evaluation assets is considered with reference to the reserves and resources estimates and their valuation which were independently assessed on 13 December 2007. The 2011/12 work program consists of activities to update the reserves and resources estimates.

VAT Receivable

The capitalised exploration and evaluation costs include VAT of US$511 thousand (2010: US$1,307 thousand). During the year the Group's subsidiary ZAO Kun-Manie successfully recovered RUR36 million (US$1.2 million) of the Russian VAT outstanding at 31 December 2010. At 31 December 2011 the VAT balance included in non-current assets was US$511 which has been rejected by the Russian authorities and is not expected to be recovered.

6. TRADE AND OTHER PAYABLES

	31 December 2011	31 December 2010
Accruals and other payables	102	109
	102	**109**

7. INVENTORIES

	31 December 2011	31 December 2010
Fuel	55	70
Other materials and supplies	110	97
	165	**167**

8. DERIVATIVE FINANCIAL ASSET

	31 December 2011	31 December 2010
Derivative financial asset	2,001	3,806
	2,001	**3,806**

Lanstead 1 Agreement

In July 2010 the Company raised £595,000 (US$907,196) via an issue of 17 million new shares to Lanstead Capital L.P ("Lanstead") at 3.5p per share. In October 2010 a further £315,000 (US$500,881) was raised through the issue of 6 million new shares to Lanstead at 5.25p per share. The Company entered into an equity swap price mechanism with Lanstead for 75% of the shares issued and that Lanstead hedge the consideration they pay for shares in the Company against the performance of the Company's share price over a 24 month period.

To the extent that the share price is greater or lower than the reference price at each swap settlement, the Company will receive greater or lower consideration calculated on pro-rata basis i.e. share price / reference price multiplied by the monthly transfer amount. The valuation for each settlement is determined to be the average share price for the preceding 5 trading days up to settlement date.

As the amount of consideration receivable from Lanstead will change in response to the change in the

Company's share price and foreign exchange rates and will be settled in the future, the receivable is treated as a derivative financial asset and has been designated at fair value through profit or loss.

The fair value of the derivative financial assets has been determined by reference to the Company's share.

During the year all remaining settlements for the derivative financial asset were received by the Company, thereby completing the equity swap price mechanism with Lanstead. The consideration received and the fair value adjustments made during the life of the derivative financial asset were as follows:

	Actual share price	Notional number of Outstanding shares	Fair value US$000
Value recognised on inception (July 2010)	3.5p	12,750,000	907
Value recognised on inception (October 2010)	5.25p	4,500,000	501
		17,250,000	1,408
Consideration received to 31 December 2010		(2,534,090)	(204)
Gain on revaluation of derivative at 31 December 2010			2,602
Value of derivative at 31 December 2010	**16.75p**	**14,715,910**	**3,806**
Consideration received during the year		(14,715,910)	(3,180)
Loss on revaluation of derivative recognised in the period			**626**

<u>Lanstead 2 Agreement</u>

In March 2011 the Company raised £2.5 million (US$4 million) via an issue of 25 million new shares at 10p per share to Lanstead. The Company entered into equity swap price mechanism with Lanstead for a notional 75% of these shares with a notional reference price of 13.33p per share. All 25 million shares were transferred, with full voting rights on the date of the transaction. The Company will receive consideration on a monthly basis over a 24 month period.

The Company also issued 3 million shares to Lanstead as a value payment in connection with the equity swap agreement (note 13).

Similarly for the previous Lanstead agreement the consideration receivable from Lanstead has been treated as a derivative financial asset and has been designated at fair value through profit or loss. The fair value of the derivative financial asset has been determined by reference to the Company's share price and has been estimated as follows:

	Actual share price	Notional number of Outstanding shares	Fair value US$000
Value recognised on inception (Mar 2011)	10p	18,750,000	4,044
Consideration received during the year		(5,468,750)	(1,164)
Loss on revaluation of derivative at 31 December 2011			(879)
Value of derivative at 31 December 2011	**9.75p**	**13,281,250**	**2,001**

9. VAT RECEIVABLE

	31 December 2011	31 December 2010
Current portion of VAT Receivable	73	24
Non-current portion of VAT receivable	-	299
	73	**323**

(Amounts in '000s US Dollars)

10. OTHER RECEIVABLES

	31 December 2011	31 December 2010
Other receivables	711	152

Other receivable represent prepayments and annual fees paid in advance under the normal course of business.

11. AVAILABLE-FOR-SALE INVESTMENT

	31 December 2011	31 December 2010
At the start of the year	-	691
Acquired during the year	-	-
Loss on disposal of investment held	-	(328)
Sale proceeds during the year	-	(363)
At the end of the year	**-**	**-**

On 1 June 2009, the Company entered into a share exchange transaction with Grafton Resource Investments Ltd ("Grafton"). On 26 October 2010 the shares were disposed of for US$363 thousand and a loss on sale of assets held of US$328 thousand has been recognised in the income statement.

12. TAXATION

	31 December 2011	31 December 2010
Current tax – BVI Corporation tax	-	-
Current tax - Russian Corporation tax	-	-
Current tax charge	-	-
Factors affecting tax charge for the year:		
Group profit/(loss) on ordinary activities before tax	(4,608)	365
	(4,608)	365
Tax charge at the BVI corporation tax rate of 0% (2010: 0%)	0	0
Effects of:		
Difference in overseas tax rate of 20% (2010: 20%) to BVI standard rate	(478)	(155)
Non-deductible expenses	822	6
Enhanced tax deductions	(2,726)	-
Tax losses carried forward for offset against profits of future periods	2,382	149
Total tax charge for the year	-	-

During the exploration and development stages, the Group will accumulate tax losses which may be carried forward. As at 31 December 2011, the subsidiary in Russia had tax losses carried forward of US$4,219 thousand (2010: US$1,837 thousand) which are available for use over a 10-year period. Of the total available Russian subsidiaries' tax credits, US$2,382 thousand will be available until 31 December 2021, US$746 thousand will be available until 31 December 2020. US$642 thousand will be available until 31 December 2019 and US$449 thousand will be available until 31 December 2018.

The tax losses arising in the current and prior periods will reduce the Group's tax liability in the future and give rise to deferred tax assets. The directors believe that it would not be prudent to recognise such tax assets before such time as the Group generates taxable income. Hence, no tax asset has been recognised.

The Group has significant exposure to the Russian business and fiscal environment through its business and operations being largely based in Russia.

(Amounts in '000s US Dollars)

Russia currently has a number of laws related to various taxes imposed by both federal and regional governmental authorities. Laws related to these taxes have not been in force for significant periods, in contrast to more developed market economies; therefore, implementing regulations are often unclear; and few precedents with regard to tax related issues have been established. Furthermore, the Russian Tax Service is in the process of developing and refining its methods of regulation. These facts create tax risks in Russia substantially more significant than those typically found in countries with more developed tax systems. Tax declarations, together with other legal compliance areas (such as customs and currency control matters) are subject to review and investigation by a number of authorities, who are enabled by law to impose extremely severe fines, penalties and interest charges. As a result of these factors, the Group is unable to determine whether or not the inspecting authorities would challenge the taxation treatment of certain transactions recorded by the Group and therefore affect the value of the losses carried forward.

13. SHARE CAPITAL AND RESERVES

	31 December 2011	31 December 2010
Number of Shares (no par value):		
Authorised	500,000,000	500,000,000
Issued and fully paid	**278,575,179**	**250,362,112**

Issue of shares

On the 22 March 2011, the Company raised GBP2.5 million (US$4 million) through the issue of 25 million new shares at a placing price of 10p per share (note 7). Further 2.5 million new shares in March 2011 and 0.5 million new shares in December 2011 were issued to satisfy commissions of the fund raising.

On the 16 December 2011, the Company issued 113,636 new shares to Robert Schafer, 93,749 new shares to Brian Savage and 5,682 to a senior employee at a placing price of 11.25p to satisfy £23,970 ($37,500) of outstanding fees.

All of these shares have been admitted to the AIM market of the London Stock Exchange plc.

Issue of shares – comparative information

On the 20 July 2010, the Company issued 1,428,570 new shares to Robin Young at a placing price of 3.5p to satisfy £50,000 ($75,000) of outstanding 2009 director's fees.

On the 22 July 2010, the Company raised £595,000 ($907,000) through the issue of 17 million new shares at a placing price of 3.5p, with a further 3 million new shares issued to satisfy commissions for the fund raising.

On the 28 July 2010, the Company raised £641,154 ($977,000) through the issue of 18.3 million new shares at a placing price of 3.5p.

On the 19 October 2010, the Company raised £315,000 ($501,000) through the issue of 6 million new shares at a placing price 5.25p, with a further 1.06 million new shares issued to satisfy commissions for the fund raising.

On the 16 November 2010, the Company raised £1,708,102 ($2,733,000) through the issue of 32.5 million new shares at a placing price of 5.25p.

The costs associated with the issues of US$387 thousand have been taken to the share premium reserve.

All of these shares have been admitted to the AIM market of London Stock Exchange plc.

(Amounts in '000s US Dollars)

Group reserves comprise the following:

Share capital
Amounts subscribed for share capital at proceeds received.

Share premium account
The share premium account represents the amounts received by the Company on the issue of its shares which was in excess of the nominal value of the terms of the shares prior to the shares being changed to having no par value.

Share options reserve
The balance held in the share options reserve relates to the fair value of the share options that have been charged to the profit or loss since adoption of IFRS 2.

Foreign currency translation reserve
The foreign currency translation reserve includes movements that relate to the retranslation of the subsidiaries whose functional currencies are not the US$.

Retained deficit
Cumulative net gains and losses recognised in the statement of comprehensive income less any amounts reflected directly in other reserves.

14. SHARE BASED PAYMENTS

a) Options Granted

During the period ended 31 December 2011 a total of 7,044,456 of previously outstanding options expired resulting in a write back of US$726 thousand in the Options Reserve (2010: nil). During this period total of 10.6 million new options were granted to key management and personnel at a value of US$940 thousand (2010: nil).

As of 31 December 2011, there was a total of 13,847,000 options and warrants outstanding (2010: 10,291,456). All of these instruments were fully vested and exercisable. They have maturities that vary between 10 May 2012 and 18 April 2016 with a weighted average strike price of 14p (2010: 28p).

Options and Warrants Outstanding

Grant Date	Number of Shares	Expiry	Strike Price
10 May 2007	2,247,000	10 May 2012	18p
5 March 2008	700,000	5 March 2013	18.5p
2 July 2008	300,000	2 July 2013	17p
18 April 2011	10,600,000	18 April 2016	12.675p

b) Shares for services

As stated in note 13, during the year the Company granted ordinary shares to some directors in respect of their directors' fees as well as shares were granted to Lanstead in settlement of their commissions (note 8). The shares were valued at the face value of amounts payable under contracts for services, or the net amount of commission owed for share placings.

2011	Value	Shares
Fees paid	38	213,067
Commissions	464	3,000,000
TOTAL	502	3,213,067

(Amounts in '000s US Dollars)

2010	**Value**	**Shares**
Fees paid	75	1,428,570
Commissions	249	4,060,000
TOTAL	324	5,488,570

15. ADMINISTRATIVE EXPENSES

	31 December 2011	**31 December 2010**
Salaries, wages and directors' fees	676	615
Travel and subsistence expenses	174	189
Professional fees	313	249
Investor relations	112	93
Foreign exchange differences	(13)	111
Share options grant	940	-
Other administrative expenses	690	350
	2,892	**1,607**

16. FINANCE INCOME

	31 December 2011	**31 December 2010**
Finance income	20	24
	20	**24**

17. FINANCE EXPENSE

	31 December 2011	**31 December 2010**
Foreign exchange loss	218	-
Interest expense on Lanstead swap arrangement (note 8)	13	5
	231	**5**

18. PROFIT/(LOSS) PER SHARE

Basic and diluted loss per share are calculated and set out below. The effects of warrants and share options outstanding at the year ends are anti-dilutive and the total of 13.8 million (2010: 10.3 million) of potential ordinary shares have therefore been excluded from the following calculations:

	31 December 2011	**31 December 2010**
Net profit/(loss) for the year	(4,608)	365
Weighted average number of shares used in the calculation of basic loss per share	271,788,676	193,790,726
Basic and diluted profit/(loss) per share	**US$(0.017)**	**US$0.002**

(Amounts in '000s US Dollars)

19. DIRECTORS REMUNERATION

The aggregate remuneration of the directors of the Company was as follows:

	Basic Salary	Fees	**Year Ended 31 December 2011**	Year ended 31 December 2010
Executive Directors				
Robin Young	206	-	206	143
David Woods	-	-	-	87
Non-Executive Directors				
Robert Schafer	-	38	38	31
William McLucas	-	-	-	46
Eric McAuslan	-	-	-	23
Brian Savage	-	33	33	14
	206	**71**	**277**	**344**

The following tables show the beneficial interests of the Directors who held office at the end of the year in the ordinary shares of the Company and the interests of the Directors in share options:

Shares	Shares held at 1 January 2011	Additons	Disposals	**Shares held at 31 December 211**
Robert W. Schafer	33,333	113,636	-	146,969
Robin J. Young	1,587,160[1]	-	-	1,587,160[1]
Brian C. Savage	-	93,749	-	93,749

1. As disclosed in the Company's Admission Document, 916,000 of the Ordinary Shares shown against Robin Young's name were the subject of an option in his favour over Ordinary Shares held by Foxley Associates Limited. This option agreement lapsed in 2009.

Options	Exercise Price	Options held at 1 January 2011	Options expired/lapsed during the year	Options granted during the year	**Options held at 31 December 2011**	Normal exercise dates
Robert W. Schafer	£0.33) ($0.51)	300,000	300,000	-	-	15.03.06 to 15.03.11
Robert W. Schafer	£0.18 ($0.28)	54,000	-	-	54,000	10.05.07 to 10.05.12
Robert W. Schafer	£0.12675 ($0.20)	-	-	2,400,000	2,400,000	18.04.11 to 18.04.16
Robin J. Young	£0.33) ($0.51)	2,700,000	2,700,000	-	-	15.03.06 to 15.03.11
Robin J. Young	£0.18 ($0.28)	486,000	-	-	486,000	10.05.07 to 10.05.12
Robin J. Young	£0.12675 ($0.20)	-	-	3,600,000	3,600,000	18.04.11 to 18.04.16
Brian C. Savage	£0.12675 ($0.20)	-	-	1,600,000	1,600,000	18.04.11 to 18.04.16

$ exercise prices are shown for indicative purposes only, calculated at 31 December 2011 exchange rates.

(Amounts in '000s US Dollars)

20. COMMITMENTS

Operating lease commitments

The Group leases various offices and other buildings under cancellable operating lease agreements. The leases have varying terms, and renewal rights and are immaterial to the Group.

Capital commitments

There were no material contracted commitments for capital purchases as at 31 December 2011 (2010: Nil).

21. RELATED PARTIES

For the purposes of these financial statements, entities are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". In addition, other parties are considered to be related if they are under common control. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Details of transactions between the Group and related parties are disclosed below.

Compensation of Key Management Personnel

Key management personnel are considered to be the directors and senior management of the Group

	31 December 2011	31 December 2010
Salaries and fees	412	452
Share-based payment	807	-
	1,219	**452**

22. UNIFIED SOCIAL TAX

The Russian subsidiary contributes to the Russian Federation state pension scheme, medical, social insurance and unemployment funds in respect of its staff. The Group's contribution amounts to 26% (2010 – 26%) of employees' salaries, and is expensed as incurred.

23. CONTINGENCIES

Political environment

As a result of the Group's Russian subsidiary, the operations and earnings of the Group are affected by political, legislative, fiscal and regulatory developments, including those related to environmental protection, in Russia. In particular, licences can be cancelled if the Group is found to be in non-compliance of the licence terms. Management are not aware of any areas of non-compliance that would result in licences held by the Group to be withdrawn.

Legal proceedings

In the opinion of management, there are no current legal proceedings or other claims outstanding, which will ultimately have a material adverse effect on the financial position of the Group.

Insurance of fixed assets

The insurance cover that was in place as at 31 December 2011 covered all of the significant assets as at that date.

Taxation

Russian tax legislation is subject to varying interpretations and changes occur frequently. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activity of the Group may not coincide with that of management. As a result, transactions may be challenged by tax authorities and the Group may be assessed additional taxes, penalties and interest, which can be significant. Periods remain open to review by the tax and customs authorities with respect to tax liabilities for three years.

(Amounts in '000s US Dollars)

Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. The Group has commissioned various baseline environmental studies as required by the Kun-Manie licence. Potential liabilities might arise as a result of changes in legislation and regulation or civil litigation. The impact of these potential changes cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

24. FINANCIAL INSTRUMENTS

Financial instruments

The Group is exposed to risks that arise from its use of financial instruments. The main purpose of these financial instruments is to raise and utilise finance in the Group's operations.

The principle financial instruments used by the Group are as follows:

	31 December 2011	31 December 2010
Loans and receivables at amortised costs		
Cash and cash equivalents	4,436	3,066
Financial assets at fair value through profit or loss		
Derivative financial asset	2,001	3,806
Financial liabilities held at amortised costs		
Trade and other payables	102	109

The main risks arising from the Group's financial instruments are interest risk, liquidity risk and currency risk. The Directors review and agree policies for managing these risks and these are summarised below.

Liquidity risk

The Group manages its operations through equity and seeks to manage financial risk to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Management monitors rolling forecasts of the Group's and Company's liquidity reserve. The review consists of considering the liquidity of local markets, projecting cash flows and the level of liquid assets to meet these. Management raises additional capital financing when the review indicates this to be necessary.

The contractual maturities of the Group's financial liabilities are shown in the table below:

Group 2011	Carrying amount	Contractual cash flows	6 months or less
Trade and other payables	102	102	102
	102	102	102

Group 2010	Carrying amount	Contractual cash flows	6 months or less
Trade and other payables	109	109	109
	109	109	109

(Amounts in ‘000s US Dollars)

Credit risk

The credit risk on liquid funds is limited because the counterparties are banks with credit ratings assigned by international credit rating agencies.

The Group’s maximum exposure to credit risk by class of individual financial instrument is shown in the table below:

Group	2011		2010	
	Carrying value	**Maximum exposure**	**Carrying value**	**Maximum exposure**
Cash and cash equivalents	4,436	4,436	3,066	3,066
Derivative financial asset	2,001	2,001	3,806	3,806
	6,437	6,437	6,872	6,872

Fair values

The fair values of the Group’s cash in banks, prepayments and accounts payable are considered equal to the book value as they are all short term.

The derivative financial asset is measured subsequent to initial recognition at fair value by reference to the Company’s share price and grouped into Levels 1 to 3 based on the degree to which the fair value is observable

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Level 2 fair value measurements at 31 December 2011

	Derivative financial asset	
	31 December 2011	**31 December 2010**
Opening balance	**3,806**	-
Additions	4,044	1,408
Repayment	(4,344)	(204)
Net gains/(losses) recognised in income statement	(1,505)	2,602
Closing balance	**2,001**	**3,806**

Interest rate risk

The Group finances its operations through equity financing to alleviate the interest rate risk. The interest rate exposure of the financial assets of the Group as at 31 December 2011 related wholly to floating interest rates in respect of cash at bank. Cash at bank in interest bearing accounts was held in demand accounts with one-month maturities throughout the year. This policy was unchanged from 2010.

The Group is exposed to cash flow interest rate risk from its deposits of cash and cash equivalents with banks. The cash balances maintained by the Group are managed in order to ensure that the maximum level of interest is received for the available funds but without affecting working capital flexibility.

(Amounts in '000s US Dollars)

The Group is not currently exposed to cash flow interest rate risk on borrowings as it has no debt or fixed rate finance leases. No subsidiary of the Group is permitted to enter into any borrowing facility or lease agreement without the Company's prior consent.

The sensitivity analysis below has been determined based on the exposure to floating interest rates during the year. A 25 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates as this is the step change in rates typically expected from major central banks in a single rate change.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's profit for the years ended 31 December 2011 and 31 December 2010 would not change materially.

Currency risk

The Group undertakes certain transactions denominated in foreign currencies hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters by holding bank deposits in Russian Roubles, US Dollars and Pound Sterling (GBP).

Management reviews its currency risk exposure periodically and hedges part of its exposure to the US dollar by buying and holding on deposit GBP. The Group also hold Roubles in order to cover a proportion of anticipated Rouble expenditures. As at 31 December 2011 the Group had on deposit approximately US$3,983 thousand in GBP (2010: US$2,743 thousand) and US$65 thousand in Rouble (2010: US$65 thousand) bank accounts.

An analysis of the Group's holdings of financial instruments in various currencies at the year end is as follows:

	31 December 2011		
		Denominated in	
	USD	RUR	GBP
Cash and cash equivalents	390	63	3,983
Derivative financial asset	-	-	2,001
Payables and accruals	(76)	(6)	(21)
Net Exposure	314	57	5,963

	31 December 2010		
		Denominated in	
	USD	RUR	GBP
Cash and cash equivalents	258	65	2,743
Derivative financial asset	-	-	3,806
Payables and accruals	(23)	(4)	(82)
Net Exposure	235	61	6,467

The main financial risk faced by the Group relates to currency risk exposure due to its Rouble based costs for exploration works. The Company's functional currency and financing is the USD, and therefore if the Rouble strengthens its positions against the USD, this has a negative impact on the Group. Given the unpredictability in currency exchange rates movement, this exposure can give rise to a material change (either favourable or unfavourable) in the future.

The following table details the Group's sensitivity to a 10% increase and decrease in the USD against the Russian rouble and sterling. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the USD strengthens 10% against the relevant currency. For a 10% weakening of the USD against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

(Amounts in '000s US Dollars)

	Rouble Impact		Sterling Impact	
	2011	2010	2011	2010
Profit or loss	6	13	396	648

In the Directors' opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year. Rouble denominated expenditures is seasonal with higher volumes in the second and third quarters of the financial year.

25. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital (i.e. share capital, share premium and retained deficit) are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other shareholders.

The principal strategy of the Group to maintain the capital structure is to issue new shares.

The Group currently does not have any borrowings and none is planned in the next twelve months.

26. EVENTS AFTER THE REPORTING DATE

Share Placement
On 6 February 2012, the Company raised £5.5 million through the issue of 68.5 million new shares at the placing price of 8p. On subscription, Lanstead Capital L.P., an institutional investor, has subscribed for 60.7 million new shares (Lanstead 3 Agreement) for an aggregate consideration of £4.9 million. In addition the Company has entered into an Equity Swap Agreement with Lanstead which allows the Company to retain much of the economic interest in Lanstead Subscription Shares.

The Company has issued further 6 million shares to Lanstead in consideration for entering into the Equity Swap Agreement.