

Annual Report and Accounts 2011

Angel Mining plc

Annual report and accounts 2011
For the year ended 28 February 2011

Company number: 3319691

Chairman's Report

A YEAR OF PROGRESS

The year has been a particularly challenging one. We had to build a team capable of taking over from contractors to get the Nalunaq mine and processing plant into production. This has taken several months to achieve and the process of team development is on-going. We fell behind on our implementation plan at Nalunaq and we have overrun on costs. Fortunately, the gold price has risen substantially and, provided it stays high, we will have a mine that should deliver value to shareholders.

At Black Angel, excellent progress has been made with the development of a more cost efficient plan for constructing the process plant and operating the mine. We now expect the mine to go into production in 2013 and, to achieve this, an additional investment of approximately \$80 million will be required. We expect some of this capital expenditure to be funded out of cash generated at Nalunaq through sales of gold and silver. Work continues in the pursuit of finding further ways to reduce or defer capital and pre-operating costs.

FINANCIAL RESULTS

The loss for the year was \$7,773,000, compared to a loss of \$4,713,000 for the same period last year. At 28 February 2011, the Group's cash and bank balances amounted to \$441,000 compared to \$1,823,000 at 28 February 2010.

MARKETS

On 20 August 2010, the price of gold was \$1,231 per ounce and by 10 August 2011 the price had increased to \$1,781 per ounce. We are targeting a cash cost of production at Nalunaq of about \$700 per ounce. If that can be achieved, the mine will be significantly cash generative once the target rate of production of 2,000 ounces per month is achieved.

Some commentators believe that while the USA and major European countries continue with quantitative easing, and while there is also uncertainty, related to debt restructuring, the markets will remain nervous and the price of gold may therefore continue to rise. This situation could persist for some time and further improve our ability to generate cash at Nalunaq.

As at 10 August 2011, the market prices for zinc and lead were \$2,155 per tonne for zinc and \$2,339 per tonne for lead. It is anticipated, however, that during the next few years a number of large producers will wind down operations as their resource becomes exhausted. These include: Skorpion mine in Namibia, the Tara and Lisheen mines in Ireland, Perseverance and Brunswick mines in Canada and the Cerro Lindo operation in Peru. There will be new producers emerging, including the Black Angel, but there is likely to be a period where the industry may fall short of supply which should help to support the price.

FINANCING

The Company continues to benefit from the ongoing support of Cyrus Capital Partners, LP ("Cyrus") and its affiliate, FBC Holdings s.a.r.l ("FBC"). We were also able to secure a \$25.0 million medium term note programme with Socius CG II Ltd. ("Socius") in September 2010.

During the year ended 28 February 2011, the Company completed the following fundraisings:

- \$6.5 million in additional short-term borrowings with FBC;
- \$6.4 million through draw downs on the YA Global Master SPV, Ltd. ("Yorkville") SEDA facility; and
- \$3.0 million through draw downs on the facility with Socius.

THE FUTURE

The Group has learnt important lessons at Nalunaq regarding the logistics and practicalities of operating in Greenland. We must take full advantage of our experience to date and of the current strength in the gold market so that, with the continued support of Cyrus, we can maximise cash generation and develop a successful operation at Black Angel.

I was able to visit both mines earlier this year and I was impressed by the facilities and infrastructure that we have at both sites. I was also impressed by the dedication of the team and the specialist contractors, most notably Entreprenørfirmaet EMJ Grønland A/S ("EMJ"), who are working at Black Angel.

The Group has two extraordinary assets and, having got through this difficult period, we can now work towards cash generation and profit at Nalunaq and the continued development of the Black Angel.

THANKS TO THE TEAM

Finally, I would like to express my thanks to all of our employees for their hard work and dedication. Despite the challenges and set-backs we faced last year, they have got the job done and we have ended the year as a much stronger team.

Frank Chapman

Chairman

26 August 2011

Chief Executive Officer's Report

SUMMARY

During the year, we achieved the following milestones:

- Commenced mining at Nalunaq;
- Completed the construction of the process plant at Nalunaq;
- Constructed the lower terminal for the cable car at Black Angel; and
- Rebuilt the operational team in Greenland.

Having constructed the lower terminal at Black Angel, thanks to excellent work of our principal sub-contractor, EMJ, we stopped work in September to concentrate our resources and efforts on Nalunaq. It was difficult for us to predict how long the commissioning of the process plant would take and we had to rely on equity based financial facilities that we had negotiated with Yorkville and Socius, to ensure that we had the finance to get Nalunaq into production.

The use of this finance and the cost overruns have resulted in more shareholder dilution than previously expected but, in the long run, this should be more than offset by the prospect of Nalunaq generating a much higher proportion of the money required to finance Black Angel. This is largely due to the increase in the price of gold and also due to the operational efficiencies that are now being targeted at Nalunaq as we take full advantage of what we believe is the world's first underground cyanide leaching plant.

OPERATIONS

Nalunaq

The development plan for Nalunaq included a gravity based gold recovery circuit, which had been designed to provide saleable product before the cyanide leaching plant was in production but the metal produced this way was contaminated with arsenopyrites and after several months of work the project was abandoned.

As a consequence, the commencement of the final commissioning of the process plant was delayed until mid-December 2010 and the first doré bar was produced on 27 May 2011. Although the plant is now operational, there are still further modifications and improvements planned to ensure that it will operate at its optimum capacity and achieve the highest practical level of gold recovery. Our target is to process an average of 200 tonnes of ore per day. The output of gold will vary, dependent on the grade of ore used to feed the plant. Ore from the development headings, for example will contain more host rock dilution than ore mined out of the stopes. However, it is expected that the average monthly production will be approximately 2,000 ounces of gold doré. The doré is expected to contain approximately 10% silver and 90% gold. The first shipment of doré to the refiner in Switzerland took place on 9 August 2011 followed by a sale of the gold on 12 August 2011.

To get to this point, the team on site had to cope with a number of unexpected difficulties and setbacks, including:

- The discovery of several design faults, requiring parts of the plant to be re-designed and re-built;
- Poor workmanship by some contractors which again resulted in the need for modifications and some re-building work;
- A very severe winter, even by local standards, which lasted until late March 2011. There were times when the plant could not operate due to a lack of clean water, as our main source was frozen and other times when we had insufficient electric power because we could not get fuel for the generators from the main storage depot, which is close to the harbour. We transport the fuel in a tanker truck but the twelve kilometre road was impassable due to snow drifts; and
- A week long strike by Air Greenland which prevented the movement of people and delayed the delivery of some vital parts.

As a result of these experiences, we are taking various actions to manage the impact of weather disruptions in the future including:

- Installation of heated lines in the pipes supplying fresh water to prevent them freezing;
- Construction of more barriers and doors inside the mine to improve temperature control in sensitive areas; and
- Construction of snow fences to reduce the impact of drifting snow on the road between the harbour and the mine.

The Black Angel project will benefit significantly from the lessons learned at Nalunaq. For example, we will recruit an entire, experienced team before the project commences. We will build and test the process plant in the UK and will dismantle it and ship it to Greenland where it will be reconstructed inside the Black Angel mine.

Due to the nuggety nature of the resource at Nalunaq, it is difficult to get a JORC compliant resource assessment. Consequently, we have to rely on what our geologists and mining engineers can see, assay and measure.

In June 2011, the team made a further assessment of resource within the mine and estimated that there are 102,800 tonnes of ore at an average grade of 14.5 grams per tonne available to mine within or adjoining the old workings. At a gold price of \$1,700 per ounce, the identified resource would generate in excess of \$80 million in gold sales.

Chief Executive Officer's Report (continued)

OPERATIONS (continued)

Nalunaq (continued)

This estimate does not include resource in the South Block where there is evidence of the rock structure continuing at depth but it is not possible to accurately estimate the grade, with the geological data that is currently available. Further diamond drilling has been considered but this would be costly and the data gained is unlikely to be conclusive due to the nuggety nature of the deposit.

Black Angel

The main activity on site, during the summer of 2010, was the construction of the lower terminal for the cable car and during the summer of 2011 the upper terminal is being constructed. The main contractor for both terminals is EMJ. This Greenlandic civil engineering and construction company, based in Illulissat, have demonstrated exceptional skill in working in difficult conditions to complete a project to the highest standards of engineering. They are an important partner for the remainder of the Black Angel development programme. Garaventa SA ("Garaventa") of Switzerland manufactured the cable car system and their engineers arrived on site in June 2011 to commence the installation of the cables and the control systems. Much of the work has to be undertaken in the open and the number of daylight hours reduces quickly after September, as does the temperature. Garaventa are confident that the cables can be installed this year but final commissioning is now scheduled to be undertaken in May/June 2012. This will not have an adverse impact on the project target of achieving production by mid 2013.

The bankable feasibility study completed in January 2008 indicated a capital spend requirement of \$46 million but that assumed that ore would be mined and shipped to Portugal for processing. The opportunity to raise project finance from a leading bank was withdrawn as commodity prices fell and the banking crisis deepened. By late 2008 the process plant in Portugal was closed and it was realised that for the project to succeed it would require an on-site process plant. This had been the case when the mine was operated in the 1980's but in those days the tailings were disposed of into the fjord which resulted in lead poisoning of the local fish. The problem was cleared up by dredging the tailings into very deep water. Today, the water in the fjord is closely monitored to ensure that the local fish can be caught and safely consumed.

To get the support of the environmental advisers to the Greenland government and the regulatory authority, the Bureau of Minerals and Petroleum ("BMP"), the project needed a robust method of dealing with tailings to ensure that there would be minimal pollution. There is no known safe and economic means of disposing of tailings at Maarmorilik so to achieve this vital objective it was decided to design a process plant that could be built underground. The tailings will either be made into a paste and use as part of the pillar support material or they will be pumped as slurry into old workings where they can remain and not pose any environmental risk.

To accommodate the cost of a process plant, the requirement for capital expenditure has increased to \$80 million but we are continuing to explore ways to reduce these costs. This work is being progressed jointly with our principle technical advisers, notably: GBM Minerals Engineering Consultants Ltd (plant design), Qualter Hall & Co. Ltd (design and manufacture of materials handling system) and Golder Associates (mine design and tailings treatment).

People

At the commencement of the financial year, we were a small team of four people and we had to rely heavily on sub-contractors and consultants.

On 24 May 2010, Kevin McNair was appointed Chief Financial Officer and a Director. Kevin has significant experience of financial management of AIM listed companies, a great understanding of financial markets, and is familiar with the needs of mineral resource based businesses.

In August 2010, Tim Daffern, formerly Director of Mining, decided to leave and it became apparent that we needed to recruit a team of highly experienced and capable mining and mineral processing professionals as quickly as possible.

The first and most important appointment was that of Mike Buckland who joined us in January 2011 from AREVA, the French atomic energy company, where he was Director of Production at the Cominak uranium mine in Niger. Mike joined as Managing Director of Arctic Mining Ltd (formerly Black Angel Mining Ltd), our wholly-owned subsidiary, which manages all mining and processing activities in Greenland. He is also acting General Manager at Nalunaq. He commenced work on site in February 2011 and, despite the difficult conditions described above, he has developed the team and the plant to a point that it is now producing gold.

Also in January 2011, we recruited Dan Kuhn as mine captain. Dan has many years experience of drilling and blasting and of training men to do this work. He has transformed the mining activity on site and has played a significant role in discovering additional high grade ore mining opportunities that remain within the old workings.

Chief Executive Officer's Report (continued)

OPERATIONS (continued)

People (continued)

In May 2011, Alex Hamilton was recruited as plant manager. Alex is an Australian with many years experience of running gold processing plants and his expertise has been a vital aspect of getting the plant to work and in developing the knowledge and capability of plant operators.

Each head of department has strengthened their respective teams and we continue to recruit and train to build a team to optimise the opportunity at Nalunaq and to prepare us for the challenge at Black Angel.

We are also anticipating the arrival of Ralph Rossouw who is joining as Black Angel Project Director. Ralph has until recently been President and CEO of Philex Mining Corporation in the Philippines.

FINANCE

Standby Equity Distribution Agreement ("SEDA")

On 24 April 2009, the Company entered into a £5.0 million (\$7.3 million) SEDA with Yorkville, of which \$6,417,608 was drawn down during the year to 28 February 2011 (2010: \$543,533) through the issue of 87,505,917 shares at an average price of 4.66p per share. Since the balance sheet date a further \$817,150 has been drawn at an average price of 4.09p per share. The facility expired on 26 June 2011.

On 27 July 2011, the Company entered into a new £10.0 million (\$16,357,000 million) SEDA with Yorkville. The Company has not drawn down anything on that facility. On the same date, the Company entered into a promissory note of \$1,350,000 which can be extended up to an aggregate of \$3,654,000 with the agreement of Yorkville. The promissory note can, at the Company's election, be repaid either out of cash resources or through the issue of advance notices under the SEDA. The promissory note bears interest at 4% per annum and is repayable in instalments, with the initial advance repayable by 31 October 2011. Amounts of principal outstanding under the promissory note are convertible at the option of Yorkville into ordinary shares at 3.0p per share. A facility fee of \$108,000, is also payable.

Cyrus/FBC

On 26 May 2010, FBC advanced a further \$2.0 million, which was treated as a further tranche of the short-term loan, increasing the total outstanding at that date to \$16.5 million.

On 14 July 2010, FBC advanced a new loan of \$4.5 million with a facility fee of 6.0% and bearing interest at 10% p.a. It included a facility fee of \$270,000 plus an additional \$120,000 relating to the loan of \$2.0 million made on 26 May 2010, of which \$100,000 has been paid and the balance is due at the time the loan is repaid.

In August 2010, Cyrus agreed to capitalise any accrued interest to that date on the loan and for the repayment terms of the loan to be amended so that the repayment date of the loan was extended to 31 December 2011. Additionally, the conversion date of the convertible loan note with Cyrus was extended from 31 December 2012 until 31 December 2016. These amendments were subject to shareholder approval and completion of the Eurobond facility with Socius. Shareholders approved both the amendments to the Cyrus facilities and the terms of the Socius facility set out below at a general meeting held on 27 September 2010. For more detail on the Cyrus/FBC facilities, see note 22.

Socius

On 31 August 2010, the Company signed an agreement for a \$25.0 million financing facility with Socius which would enable the Company to issue 10 year 10% Eurobonds as it draws down on the facility. The financing facility contains certain conditions which must be met before an issue can be completed. On draw down of a portion of the facility, the Company would issue an option to Socius to subscribe for ordinary shares in the Company at the closing Angel Mining share price on the day before the draw down request ("the investment share price") for such number of ordinary shares in the Company that would have a value equal to 110% of the draw down amount. The Company would also issue warrants to Socius which could be exercised at any time for twelve months from the date of issue at the investment share price, for a value equal to 25% of the draw down amount. Socius could pay for the exercise of the options and warrants either in cash or in four year 2% loan notes, which may be offset against the Eurobond notes. The Eurobonds provide for an early redemption premium such that the loan notes, the Eurobond and interest commitments will cancel each other out at anniversary dates plus one day.

On 1 October 2010, the Company requested a drawn down of \$3.0 million when the share price was 3.21p. In accordance with the terms of the facility, Angel Mining issued \$3.0 million 10% loan notes and issued to Socius warrants over 10,885,714 ordinary shares in the Company and an option to subscribe for 47,897,142 ordinary shares in the Company. Socius subsequently exercised both the warrants and the option to subscribe for the full amount. These shares were paid for through the issue of a promissory note.

Chief Executive Officer's Report (continued)

FINANCE (continued)

Socius (continued)

On 3 April 2011, the Company made an \$8.0 million draw down request when the share price was 4.38p. The draw was to have been in two parts, a first tranche of \$5.0 million and a second tranche of \$3.0 million. The Company issued options and warrants over 153,996,951 shares in relation to the \$8.0 million draw as per the terms of the programme agreement which Socius exercised immediately. On 19 May 2011, Socius advised the Company that it needed to change the terms of the second draw to reflect the recent fall in the share price. The Company exercised its right to abandon the draw down. As a result, Socius is in possession of 50,025,312 ordinary shares which relate to the \$3.0 million tranche which was never completed. The Company and Socius are working together to arrange the return of these shares to the Company although this may take some time due to technical legal reasons. These shares are recognised as having been issued in the Company's financial statements.

GOING CONCERN

The Directors have prepared the financial statements on the going concern basis. The ability of the Company and the Group to continue as a going concern is dependent upon the following:

- having the continued support of its current debt provider, Cyrus and its affiliate, FBC;
- being able to draw down on the Socius and Yorkville facilities;
- having the ability to raise new finance; and
- being able to bring the Nalunaq gold mine into full production by Q1 2012.

This is discussed further in note 1a to the financial statements.

JOINT OWNERSHIP SHARE PLAN ("JSOP")

When Tim Daffern resigned, his interest in 12,500,000 shares via the JSOP reverted back to the Employee Benefit Trust. On 7 December 2010, Kevin McNair was awarded an interest in 10,000,000 shares. The accounts of the Employee Benefit Trust are consolidated within the Group financial statements. The scheme enables participants to benefit as though the scheme was an HMRC approved share option scheme.

UNAPPROVED SHARE OPTION SCHEME

Since the year end, the Company started a new Unapproved Share Option Scheme and awarded options over 10,000,000 shares to Mike Buckland and 2,500,000 shares each to Dan Kuhn and Alex Hamilton.

OUTLOOK

The Group has now completed its first gold sale and the directors expect the business to become cash generative over the coming months. The detailed Black Angel project plan is almost complete and work on the building of the mine, plant and infrastructure developments should commence in mid 2012. The current target is to commence production of zinc and lead concentrate by mid 2013.

At long last, we are truly a mining company. We remain focused on Greenland where we have two exceptional, high grade mining opportunities and where there is substantial development potential for the longer term. Greenland is working toward independence and it is a privilege to be part of their developing economy.

Nicholas Hall

Chief Executive Officer

26 August 2011

Directors

Frank Chapman

Non-executive Chairman

Frank is currently a non-executive director of London Capital Group plc, the AIM-quoted trading services company which he founded in 2003 and was, until May 2010 the chief executive officer. He has over 30 years' experience in the London derivative and foreign exchange markets, having previously been a director or managing director of a number of companies including London Investment Trust, Baring Securities, Deutsche Morgan Grenfell and Amerex Petroleum. Frank was previously a non-executive director of Angel Mining but stepped down from the board in June 2008 to progress his other business interests. On 21 August 2009, Frank rejoined the board as Non-executive Chairman.

Nicholas Hall MA FCA

Chief Executive Officer

Nicholas is a Chartered Accountant who trained with KPMG. He has international experience of managing mining companies and is the former Managing Director of Rand London Corporation Ltd (South Africa) and President of PBS Coals Inc. (USA). Both of these appointments involved the implementation of major corporate recovery plans. In recent years he has acted as an independent business consultant specialising in cost reduction programmes for major retailers and specialist project management. He was appointed on 3 October 2007.

Kevin McNair BBA, MBA

Chief Financial Officer

Kevin is an accountant with international experience whose career started as an auditor for Fremont Financial Corporation in Chicago. Following completion of his MBA in 1993, he spent a number of years at UBS and Granville Baird working on restructurings, international expansion and cross border mergers and acquisitions. In 2002, Kevin joined Boxwood, the fast growing consultancy and support services group, where he was Finance Director until 2006. He then joined Enegi Oil Plc, an oil and gas exploration company with operations in the UK and Canada, as CFO where he managed their successful IPO on AIM in 2008. He was appointed on 25 May 2010.

Daniel Bordessa BCom, MBA

Non-executive Director

Daniel is a Partner and Portfolio Analyst of Cyrus Capital Partners, L.P. where he is responsible for the identification and management of investments across a number of sectors in North America and Europe. He also currently represents Cyrus on the board of directors of Melford International Terminals Inc., High Arctic Energy Services Inc. as well as serving on the board of directors other private companies. Prior to joining Cyrus Capital, Daniel was an Executive Director at Lazard in their London office where he was responsible for providing restructuring and mergers and acquisitions advice. Prior to joining Lazard in 1999, he worked at National Bank Financial, the investment banking arm of the National Bank of Canada. He was appointed on 21 August 2009.

Directors' Report

Year ended 28 February 2011

The Directors present their Annual Report, together with the audited financial statements of the Company and the Group for the year ended 28 February 2011.

Principal activities

The principal activities of Angel Mining plc ("Angel" or the "Company") and its subsidiary undertakings (the "Group") are the exploitation of minerals, particularly gold, zinc and lead in Greenland. The Group's holding company is incorporated in Great Britain and based in the United Kingdom.

Financial results and dividends

The consolidated loss for the year amounted to \$7,773,000 (2010: \$4,713,000). The details of the results for the year are set out in the Consolidated Statement of Comprehensive Income and are referred to in more detail in the Chief Executive Officer's (CEO's) Report.

The Group intends to reinvest any future earnings to repay indebtedness and finance the growth of the business and, consequently does not anticipate paying any dividends in the foreseeable future.

Business review and future developments

A detailed review of the Group's activities and progress made in the year under review is contained in the CEO's Report. As at the year end, the Group's cash and bank balances amounted to \$441,000 (2010: \$1,823,000).

The Board has not yet established any key performance indicators; however, in light of the Group's recent transition into production at Nalunaq, a formal structure will shortly be put in place. The Board considers that measurement of the Group's progress by way of standard financial key performance indicators is not relevant at this stage in the Group's development, since no turnover has as yet been generated.

Controls and procedures

Management is responsible for establishing and maintaining a system of controls and procedures over the public disclosure of financial and non-financial information regarding the Company. Management is also responsible for the design and maintenance of effective internal control over financial reporting to provide reasonable assurance regarding the integrity and reliability of the Company's financial statements and the preparation of its financial statements in accordance with IFRS accounting framework. Management maintains appropriate information systems, procedures and controls to ensure integrity of the financial statements and maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable.

The Group's management, including our CEO and Chief Financial Officer, does not expect that our disclosure controls and our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Group have been detected.

However, management is committed to continuously mitigating any risks and systematically improving operating controls where and when possible in a cost-effective manner.

Risks and uncertainties

The Group is subject to a number of risk factors due to the fundamental nature of the mining business in which it is engaged, including adverse movements in commodity prices.

Industry

The Company is engaged in the exploitation of minerals which is an inherently risky business.

Reserve and resource estimates

The estimation of mineral resources and reserves is a subjective process and the accuracy of any such estimates is a function of the quality of available data and of engineering and geological interpretation and judgement. Assurances cannot be given that the volume and grade of reserves recovered and rates of production achieved will be at the level anticipated.

Metal prices

The price of metals is affected by numerous factors totally beyond the control of the Group, including the exchange rate of the US dollar relative to other major currencies, demand, political and economic conditions and production levels. In addition, the price of metals can be volatile over short periods of time due to speculative activities.

Cash flows and additional funding requirements

The Group is now generating revenues from operations and the directors expect the business to become cash generative over the coming months. Substantial additional capital will be required to put the Black Angel mine into commercial production. As set out in note 1a to the financial statements, the directors believe the Group has sufficient cash and access to additional cash to ensure it can continue operating.

Management regularly reviews the Group's cash flow projections and forecasts (refer to note 1a to the financial statements).

Directors' Report (continued)

Year ended 28 February 2011

Risks and uncertainties (continued)

Exchange rate fluctuations

Fluctuations in currency exchange rates can significantly impact cash flows. The dollar exchange rate in particular has varied substantially over time impacting the sterling value of sterling denominated costs and equity raising. Some of the Group's expenses and much of its local overheads, meanwhile, are denominated in other currencies, such as the Danish Kroner. Fluctuations in exchange rates may give rise to foreign currency exposure, either favourable or unfavourable, which may impact on financial results. The Group does not engage in currency hedging to offset the risk of exchange rate fluctuation.

Environmental

The Group's exploration and development activities are subject to extensive laws and regulations governing environmental protection. The Group is also subject to various reclamation-related requirements. Although the Group closely follows, and believes it is operating in compliance with, all applicable environmental regulations, there can be no assurance that all future requirements will be achievable on reasonable terms. Failure to comply may result in enforcement actions causing operations to cease or be curtailed and may include corrective measures requiring significant capital expenditures.

Laws and regulations

The Group's exploration activities are subject to local laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health and safety, mine safety and other matters. Such laws and regulations are subject to change and can become more stringent, and compliance can therefore become more costly. The Group applies the expertise of its management, its advisors, its employees and contractors to ensure compliance with current laws.

Mining licences

Exploration and mining activities are subject to the terms and conditions of licences issued by the BMP and failure to comply with the terms can lead to the licence being withdrawn. All of the Group's licenses are still valid and there are no breaches of the licenses.

Dependence on management

The Group strongly depends on the business and technical expertise of its small management team and it has no key-man insurance. The Group has recruited additional management resources during the year to strengthen and diversify its management team as it gears up production at Nalunaq.

Mine closure guarantee

The Group maintains security fund deposits which should be adequate to meet all anticipated costs of mine closure. It has also provided an unlimited guarantee to the BMP that it will meet any future costs that may arise, to repair environmental damage caused by mining activity.

Capital structure

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 24 to the financial statements. As at 28 February 2011, the Company had two classes of shares neither of which carry any right to fixed income. Each ordinary share carries the right to one vote at general meetings of the Company and the 'B' share provides the holder of a convertible loan note with the right to one vote for every ordinary share conversion right, vested in the note.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

At 28 February 2011, no person has any special rights of control over the Company's share capital and all issued shares are fully paid, except for 31,000,000 shares held by the Employee Benefit Trust. Details of employee Joint Share Ownership Scheme are set out in the Directors Remuneration Report (see page 13). Subsequent to the year end, the Company put an Unapproved Option Scheme in place as part of its remuneration system for employees based outside the United Kingdom.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Companies Acts and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the Main Board Terms of Reference, copies of which are available on request.

Under its Articles of Association, the Company had authority to issue 2,000,000,000 ordinary shares of 1p each and 1 B share of £1. At a general meeting of shareholders held on 31 August 2010, Directors were given authority to allot up to 1,500,000,000 shares of 1p each for general purposes. This authority will expire at the Company's next annual general meeting. At a general meeting of shareholders held on 27 September 2010, the Directors were given authority to allot up to 3,375,000,000 shares of 1p each in relation to the Socius facility. See note 30 to the financial statements for details of changes to the capital structure subsequent to the year end.

There are also a number of other agreements that take effect, alter or terminate upon a change of control of the Company such as mining and exploration licences, loan agreements and employees' share plans. None of these are considered to be significant in terms of their likely impact on the business of the Group as a whole. Under the terms of the FBC convertible loan, any change in the capital structure, requires pre-approval from FBC.

Directors' Report (continued)

Year ended 28 February 2011

Capital structure (continued)

Furthermore, the Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

Directors

Details of the current Directors of the Company are set out in the Directors' biographies on page 6 all of whom served throughout the year, or served for part of the year, and were in office at the balance sheet date.

Directors' indemnities

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report. The Company maintains a Directors and Officers Liability Policy with Chubb Insurance Company of Europe Ltd. The policy indemnifies all Directors up to a level of £2.0 million. Details of Directors' remuneration are shown in note 6 to the financial statements.

Interests in shares

The beneficial interests of the Directors and their families in the shares of the Company are shown below. No options were granted to Directors subsequent to the year end, and up to one month prior to the Notice of the Annual General Meeting ("AGM").

	Shares held at 28 February 2010	Granted/sold during the year	Shares held at 28 February 2011
Executive Directors			
NJH Hall ⁽¹⁾	16,000,000	-	16,000,000
TJ Daffern (resigned on 17 September 2010) ⁽²⁾	13,100,000	(13,100,000)	-
KH McNair (appointed 24 May 2010) ⁽³⁾	-	10,000,000	10,000,000
Non-executive Directors			
FDS Chapman ⁽⁴⁾	4,340,000	-	4,340,000
D Bordessa ⁽⁵⁾	2,500,000	-	2,500,000

(1) NJH Hall held 3,500,000 shares directly and 12,500,000 via the Group's JSOP as set out in the Directors' Remuneration Report.

(2) TJ Daffern held 600,000 shares directly and 12,500,000 via the Group's JSOP; on his resignation the 12,500,000 shares reverted back to the Company's EBT and he sold his remaining shares prior to the year end.

(3) KH McNair was awarded an interest in 10,000,000 shares via the Group's JSOP on 7 December 2010.

(4) FDS Chapman held 1,840,000 shares directly and 2,500,000 via the Group's JSOP.

(5) D Bordessa held 2,500,000 shares via the Group JSOP.

Acquisitions and disposals

On 20 December 2009, the Company sold 49% of the shares in Greenland Resources Ltd ("GRL") for A\$50,000 and entered into a call and put option to sell the remaining shares for A\$1 on 31 December 2011. During the year, the Company exercised its option to sell its remaining interest.

On 20 May 2010, Orion Metals Limited implemented a fully underwritten 1 for 1 rights issue at A\$0.05. A warrant for one additional share, exercisable on or before 25 February 2011 at A\$0.12, was issued for every 2 rights issue shares. The Company did not take up its rights and these transactions diluted the Company's interest of 3,666,667 shares to 7.42%. On 15 June 2010 the Company sold its shares for A\$225,467, the then current market value.

Equity capital raisings

On 23 March 2010, 2,180,233 new ordinary shares were issued to North Atlantic Mining Associates Ltd ("NAMAL") at 6.88p being a £150,000 (\$225,615) part settlement for work done at Nalunaq gold mine.

On 29 March 2010, 10,407,139 new ordinary shares were issued to YA Global Master SPV at 6.34p per share being the fourth SEDA draw down for £660,000 (\$1,007,688).

On 22 April 2010, 5,583,831 new ordinary shares were issued to NAMAL at 6.96p being a £388,635 (\$598,459) part settlement for work done at Nalunaq gold mine.

On 21 July 2010, 1,857,493 new ordinary shares were issued to NAMAL at 5.38p being a £100,000 (\$152,670) part settlement for work done at Nalunaq gold mine.

On 10 August 2010, 5,519,418 new ordinary shares were issued to YA Global Master SPV at 4.28p per share being the fifth SEDA draw down for £236,000 (\$368,561).

On 7 September 2010, 2,262,443 new ordinary shares were issued to NAMAL at 4.42p being a £100,000 (\$154,007) part settlement for work done at Nalunaq gold mine.

On 7 September 2010, 3,520,519 new ordinary shares were issued to YA Global Master SPV at 4.26p per share being the sixth SEDA draw down for £150,000 (\$234,315).

On 7 September 2010, 3,000,000 new ordinary shares were issued to Entreprenørfirmaet EMJ Grønland A/S at 4.75p being a £142,500 (\$219,460) part settlement for work done at the Black Angel mine.

Directors' Report (continued)

Year ended 28 February 2011

Equity capital raisings (continued)

On 30 September 2010, 19,554,225 new ordinary shares were issued to Socius at 4.04p in settlement of a facility fee of \$1,250,000.

On 28 September, 7,704,924 new ordinary shares were issued to YA Global Master SPV at 3.68p per share being the seventh SEDA draw down for £283,500 (\$448,782).

On 6 October 2010, 58,782,856 new ordinary shares were issued to Socius at 3.21p following the exercise of warrants and options for consideration of \$2,991,551.

On 10 November 2010, 20,433,740 new ordinary shares were issued to YA Global Master SPV at 3.67p per share being the eighth SEDA draw down for £750,000 (\$1,205,264).

On 14 December 2010, 110,534 new ordinary shares were issued to Glenn Wightman at 5.13p being a £5,665 (\$8,725) full settlement for work done at Nalunaq gold mine.

On 15 December 2010, 20,870,291 new ordinary shares were issued to YA Global Master SPV at 4.79p per share being the ninth SEDA draw down for £1,000,000 (\$1,544,041).

On 28 January 2011, 19,049,886 new ordinary shares were issued to YA Global Master SPV at 5.25p per share being the tenth SEDA draw down for £1,000,000 (\$1,608,956).

Since the date of the Balance Sheet there have been the following new equity capital raisings:

On 23 March 2011, 12,229,423 new ordinary shares were issued to YA Global Master SPV at 4.09p per share being the eleventh SEDA draw down for £500,000 (\$817,150).

On 5 April 2011, 153,996,951 new ordinary shares were issued to Socius at 4.38p following the exercise of warrants and options for consideration of \$10,800,000 in the form of a promissory note.

On 9 June 2011, 109,100,000 new ordinary shares were issued at 2.0p as the result of a private placing, raising £2,182,000 (\$3,578,480).

On 27 July 2011, 50,000,000 new ordinary shares were issued at 2.0p as the result of a private placing, raising £1,000,000 (\$1,635,700).

Policy and practice on payment of trade payables

Operating companies are responsible for agreeing the terms and conditions, including terms of payment, under which business transactions with their suppliers are conducted. It is Group policy that suppliers are made aware of such terms of payment and that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions. It is not envisaged that this policy will alter in future. Creditor days for the Group for the year ended 28 February 2011 were an average of 77 days (2010: 88 days). The Company creditor days for the year ended 28 February 2011 were 44 days (2010: 46 days).

Financial instruments

The Group does not hold derivatives or other financial instruments other than cash and cash equivalents, securities and various items, such as receivables and payables that arise directly from its operations. No trading in financial instruments is undertaken and no hedging arrangements have been carried out. The majority of cash deposits are repayable on demand and held at a major bank within the UK and borrowings have fixed interest rate. This, in turn, means that the Group has no significant interest rate risk and the credit risk is minimal. The Group monitors its liquidity risk and interest rate risk on cash deposits primarily through cash flow forecasting. Foreign currency risk is monitored through cash flow forecasting and currency is held in foreign currency bank accounts only to the extent that it is required for working capital purposes. See note 26 to the financial statements for additional information.

Charitable and political donations

The Group made no charitable or political donations during the year (2010: nil).

Directors' Report (continued)

Year ended 28 February 2011

Substantial shareholdings

At 10 August 2011, the Company's share register of substantial investors showed the following interests amounting to 3% or more of the issued ordinary share capital of the Company, as notified to the Company:

	Number of shares	Percentage
TD Waterhouse Nominees (Europe)	126,597,041	15.8%
HSDL Nominees Limited	110,038,938	13.7%
Barclayshare Nominees Limited	74,014,719	9.2%
Nataxis Bleichroeder Inc	50,025,312	6.2%
Hargreaves Lansdown (Nominees)	44,966,255	5.6%
L R Nominees Limited	41,973,132	5.2%
James Capel (Nominees) Limited	41,787,629	5.2%
The Bank of New York (Nominees)	35,902,806	4.5%
Ardel Trust Company (Guernsey) ⁽¹⁾	31,000,000	3.9%

(1) Ardel Trust Company (Guernsey) holds shares in trust for the Employee Benefit Trust.

For the purposes of the Financial Services Authority's Disclosure and Transparency Rules, the total number of ordinary shares of 1p each in the capital of the Company in issue as at 10 August 2011 is 803,652,850 with each share carrying the right to one vote. In addition the Company also has one B Share of £1 in issue which carries 577,275,625 voting rights in the Company.

Therefore, the total number of voting rights in the Company is 1,380,928,475, which has been used as the denominator to calculate the percentage voting rights of substantial investors amounting to 3% or more of the fully diluted issued share capital of the Company.

	Number of shares	Percentage
FBC S.à.r.l.	577,275,625	41.8%
TD Waterhouse Nominees (Europe)	126,597,041	9.2%
HSDL Nominees Limited	110,038,938	8.0%
Barclayshare Nominees Limited	74,014,719	5.4%
Nataxis Bleichroeder Inc	50,025,312	3.6%
Hargreaves Lansdown (Nominees)	44,966,255	3.3%
L R Nominees Limited	41,973,132	3.0%
James Capel (Nominees) Limited	41,787,629	3.0%

Auditor

Deloitte LLP has expressed its willingness to continue in office and resolutions both proposing its re-appointment and authorising the Directors to set its fees will be proposed at the AGM.

Post balance sheet events

Details of post balance sheet events are contained in note 30 of the financial statements.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the EU. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are 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
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' Report (continued)

Year ended 28 February 2011

Directors' responsibilities statement (continued)

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

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

This report was approved by the Board on 26 August 2011 and signed on its behalf by:

Nicholas Hall
Chief Executive Officer
26 August 2011

Directors' Remuneration Report

Year ended 28 February 2011

Remuneration Committee

The Remuneration Committee comprises the two non-executive directors under the chairmanship of Frank Chapman. The Committee will meet as needed to review all policy decisions relating to the terms and conditions of employment for all employees.

The Committee is responsible for advising and approving annual salaries, incentive arrangements, service contracts and all other terms and conditions of employment of the Executive Directors and the performance and development of senior management. The Committee has access to advice from external consultants as necessary. The Committee is also responsible for approving the terms of the share incentive arrangements for all senior management and employees across the Group.

The Group does not currently operate a pension scheme but undertakes to make contributions to employees existing pension schemes. Since August 2008, in order to conserve cash resources, all employees have voluntarily agreed to the suspension of their pension contributions, however, they continue to be accrued. It is intended that these contributions will be made when the Company has an adequate cash flow.

The Company also provides death in service and permanent health insurance schemes for relevant employees.

Remuneration of Non-executive Directors

The non-executive Directors do not currently receive remuneration but this will be reviewed as soon as the Company is capable of generating cash from trading. The remuneration for each Non-executive Director will be determined by the board but the relevant non-executive director will not take part in discussions on his own remuneration. They are, however, participants in the JSOP share scheme and they do not have any pension arrangements with the Group.

Directors' remuneration

The remuneration of the Directors of the Company for the year ended 28 February 2011 is disclosed in note 6 to the financial statements.

Joint Share Ownership Plan ("JSOP")

Under the terms of the JSOP, 31,000,000 shares were issued on 27 November 2009, at 5p each, to an Employee Benefit Trust ("EBT") administered by Ardel Trust Company (Guernsey), which holds the shares on behalf of the participants. The EBT has an interest free loan from the Company, to buy the shares, and therefore the transaction is cash flow neutral to both the Company and the participants. Each participant may, after twelve months and before the fifth anniversary of the grant, take shares out of trust at a price of 5.89p per share. Of the 5.89p per share, 5.00p will be used to repay the loan outstanding with the Company and the balance of 0.89p will be held by the trust until there is a suitable employee benefit need.

	At 28 February 2011	Exercise price	Date of grant	Earliest date for exercise	Expiry date
Nicholas Hall	12,500,000	5.89p	27.11.09	27.11.10	27.11.14
Kevin McNair (appointed 24 May 2010)	10,000,000	5.89p	07.12.10	07.12.11	07.12.15
Frank Chapman	2,500,000	5.89p	27.11.09	27.11.10	27.11.14
Daniel Bordessa	2,500,000	5.89p	27.11.09	27.11.10	27.11.14

Corporate Governance Report

Year ended 28 February 2011

The Directors seek to comply with the provisions of good governance set out in the Combined Code issued by the Financial Reporting Council in May 2010. The Code is applicable to listed companies to the extent that they believe it is appropriate to a company the size of Angel.

Board structure

The Board of Directors at the date this report is signed comprises four Directors, two of whom are Executive Directors and two Non-executive Directors. Brief biographical details of those who were in office on the Balance Sheet date are shown on page 7 and details of the appointment of the new Chief Financial Officer are disclosed in the Directors' Report.

The Company adopted its original Articles of Association on 14 March 2000, subsequently adopting revised Articles on 21 August 2009, 31 August 2010 and 27 September 2010.

One third of the Directors must retire by rotation and all Directors must be re-elected at intervals of not more than three years. Daniel Bordessa retires by rotation and will offer himself for re-election at the forthcoming annual general meeting.

No Director has had a contract of any significance (other than service contracts) with the Company or with any subsidiary company during the year. Daniel Bordessa is both a non-executive director of Angel and an employee of Cyrus.

Internal control

The Directors are responsible for establishing and maintaining a system of internal control to provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board has reviewed the effectiveness of the Group's internal control system and is seeking to initiate further improvements as necessary.

The Board has considered the need for internal audit. It is of the opinion that given the size and structure of the Group's operations and the other controls in place, it would not be appropriate at this time.

Audit Committee

The Directors appointed an Audit Committee under the chairmanship of Daniel Bordessa on 7 October 2009. The Committee consists of the two Non-executive Directors and expects to meet twice a year.

The function of the Committee is to consider the Group's financial reporting (including accounting policies) and internal financial controls. The Committee will receive formal reports from the Group's auditor.

The Group has in place a series of procedures and controls designed to identify and minimise the risk of loss.

Relations with shareholders

The Company values its dialogue with both institutional and private investors. Effective two-way communication with fund managers, institutional and other investors is actively pursued and this encompasses issues such as performance, policy and strategy.

Private investors are encouraged to participate at the AGM where the Board presents a review of the results and comments on current business activity.

Going concern

Under company law, the Company's Directors are required to consider whether it is appropriate to prepare financial statements on the basis that the Group and the Company are going concerns. The Group does not have formally committed funding to ensure that it can continue all of its operations as planned. The Directors have concluded this condition represents a material uncertainty that could affect the Company's and the Group's ability to continue as a going concern. Nevertheless, after making enquiries and considering the uncertainties described above, the Directors have a reasonable expectation that the Company and the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and financial statements. For further detail refer to the detailed discussion of the assumptions outlined in note 1a to the financial statements.

Compliance with the Combined Code

In common with many companies of similar size and organisation, there are a number of areas of non-compliance. In particular this includes:

- the absence of a Nomination Committee; and
- the award of options to Non-executive directors.

Independent Auditor's Report

Year ended 28 February 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANGEL MINING PLC

We have audited the financial statements of Angel Mining plc for the year ended 28 February 2011 which comprise the consolidated statement of comprehensive income, the consolidated and parent company statement of financial position, the consolidated and company statements of changes in equity, the consolidated and parent company cash flow statements and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 28 February 2011 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1a to the financial statements concerning the group's and company's ability to continue as a going concern. The group incurred a net loss of \$7,773,000 during the year ended 28 February 2011 and, as of that date, the group's current liabilities exceeded its current assets by \$28,250,000. The ability of the company and the group to continue as a going concern is dependent upon the following:

- having the continued support of its current debt provider, Cyrus and its affiliate, FBC;
- being able to draw down on the Socius and Yorkville facilities;
- having the ability to raise new finance; and
- being able to bring the Nalunaq gold mine into full production by Q1 2012.

These conditions as explained in note 1a to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's and company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company and the group were unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent Auditor's Report (continued)

Year ended 28 February 2011

Matters on which we are required to report by exception

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

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

Deborah Thomas (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
26 August 2011

Consolidated Statement of Comprehensive Income

Year ended 28 February 2011

	Notes	2011 \$000	2010 \$000
Continuing operations			
Reversal of impairment of exploration and development costs		-	70
Gain on disposal of holding in subsidiary		-	44
Other operating costs		(3,384)	(1,772)
Operating loss	5	(3,384)	(1,658)
Finance costs	8	(4,444)	(3,053)
Finance income	9	42	4
Share of loss of associate	15	-	(84)
Change in fair value of assets held for trading	15	13	78
Loss before tax		(7,773)	(4,713)
Taxation	10	-	-
Retained loss for the financial year		(7,773)	(4,713)
Loss per share			
Basic and diluted loss per share (cents)	11	(2.11)	(1.85)
Other comprehensive loss for the year			
Exchange translation difference on foreign operations		339	(360)
Total comprehensive loss for the year attributable to ordinary equity holders of the company		(7,434)	(5,073)

The notes on pages 21 to 47 form part of these financial statements.

Consolidated and Company Statement of Financial Position

As at 28 February 2011

	Notes	Group		Company	
		2011 \$000	2010 \$000	2011 \$000	2010 \$000
Non-current assets					
Property, plant and equipment	13	48,297	31,258	6	10
Investments in subsidiaries	14	-	-	9,670	9,670
Rehabilitation asset	16	4,414	4,392	-	-
		52,711	35,650	9,676	9,680
Current assets					
Inventories	17	862	850	-	-
Trade and other receivables	18	137	862	48,054	28,876
Investments held for trading	15	-	184	-	184
Other financial asset	19	1,260	251	1,260	251
Cash and cash equivalents		441	1,823	395	1,808
		2,700	3,970	49,709	31,119
Current liabilities					
Trade and other payables	20	(7,769)	(4,518)	(3,289)	(756)
Current borrowings	22	(21,848)	(14,298)	(21,848)	(14,298)
Current provisions	21	(1,333)	(968)	(1,333)	(968)
		(30,950)	(19,784)	(26,470)	(16,022)
Net current (liabilities)/assets					
		(28,250)	(15,814)	23,239	15,097
Total assets less current liabilities					
		24,461	19,836	32,915	24,777
Non-current liabilities					
Non-current borrowings	22	(7,190)	(5,987)	(7,190)	(5,987)
Non-current provisions	23	(4,398)	(5,184)	-	-
		(11,588)	(11,171)	(7,190)	(5,987)
Net assets					
		12,873	8,665	25,725	18,790
Capital and reserves					
Share capital	24	8,052	5,208	8,052	5,208
Share premium		39,455	30,657	39,455	30,657
Own shares held by EBT		(2,568)	(2,568)	(2,568)	(2,568)
Convertible borrowings – equity component	22	7,371	7,371	7,371	7,371
Translation reserve		(841)	(1,180)	-	-
Retained deficit		(38,596)	(30,823)	(26,585)	(21,878)
Total equity		12,873	8,665	25,725	18,790

The notes on pages 21 to 47 form part of these financial statements.

The financial statements of Angel Mining plc, registered number 3319691, were approved by the Board of Directors, authorised for issue on 26 August 2011 and signed on its behalf by:

Nicholas Hall
Chief Executive Officer

Consolidated and Company Statement of Changes in Equity

Year ended 28 February 2011

	Ordinary share capital \$'000	Share premium \$'000	Own shares held by EBT \$000	Convertible borrowings – equity component \$000	Translation reserve \$'000	Retained deficit \$'000	Equity attributable to equity holders of the parent \$'000	Total equity \$'000
Group								
At 28 February 2009	3,847	27,260	-	-	(820)	(26,110)	4,177	4,177
Loss for the year	-	-	-	-	-	(4,713)	(4,713)	(4,713)
Shares issued	1,361	3,589	-	-	-	-	4,950	4,950
Cost of shares issued	-	(192)	-	-	-	-	(192)	(192)
Convertible borrowings – equity component	-	-	-	7,371	-	-	7,371	7,371
Own shares held by EBT	-	-	(2,568)	-	-	-	(2,568)	(2,568)
Exchange translation difference on foreign operations	-	-	-	-	(360)	-	(360)	(360)
At 28 February 2010	5,208	30,657	(2,568)	7,371	(1,180)	(30,823)	8,665	8,665
Loss for the year	-	-	-	-	-	(7,773)	(7,773)	(7,773)
Shares issued	2,844	9,174	-	-	-	-	12,018	12,018
Cost of shares issued	-	(376)	-	-	-	-	(376)	(376)
Exchange translation difference on foreign operations	-	-	-	-	339	-	339	339
At 28 February 2011	8,052	39,455	(2,568)	7,371	(841)	(38,596)	12,873	12,873

	Ordinary Share capital \$'000	Share premium \$'000	Own shares held by EBT \$000	Convertible borrowings – equity component \$000	Retained deficit \$'000	Total equity \$'000
Company						
At 28 February 2009	3,847	27,260	-	-	(16,339)	14,768
Loss for the year	-	-	-	-	(5,539)	(5,539)
Shares issued	1,361	3,589	-	-	-	4,950
Cost of shares issued	-	(192)	-	-	-	(192)
Convertible borrowings – equity component	-	-	-	7,371	-	7,371
Own shares held by EBT	-	-	(2,568)	-	-	(2,568)
At 28 February 2010	5,208	30,657	(2,568)	7,371	(21,878)	18,790
Loss for the year	-	-	-	-	(4,707)	(4,707)
Shares issued	2,844	9,174	-	-	-	12,018
Cost of shares issued	-	(376)	-	-	-	(376)
Convertible borrowings – equity component	-	-	-	-	-	-
Own shares held by EBT	-	-	-	-	-	-
At 28 February 2011	8,052	39,455	(2,568)	7,371	(26,585)	25,725

The notes on pages 21 to 47 form part of these financial statements.

Consolidated and Company Statement of Cashflows

Year ended 28 February 2011

	Group		Company	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Loss before tax	(7,773)	(4,713)	(4,707)	(5,539)
Adjusted for:				
Depreciation of property, plant and equipment	4	3	4	3
Impairment reversal of exploration and development costs	-	(70)	-	-
Share of loss of associate	-	84	-	-
Change in fair value of assets held for trading	(13)	(78)	-	-
Profit on part disposal of subsidiary	-	(44)	-	(44)
Loss/(gain) on disposal of property, plant and equipment	26	(258)	-	5
Finance income	(42)	(4)	-	(4)
Finance costs	4,444	3,053	4,402	3,028
Share-based payments	298	1,008	298	1,008
Reversal of/(provision) against investments in assets held for trading/associate	-	-	(13)	634
Increase in inventories	(12)	(792)	-	-
Increase/(decrease) in trade and other receivables	725	(807)	46	(57)
Increase/(decrease) in trade and other payables	711	3,438	176	(422)
Net cash (outflow)/ inflow from operating activities	(1,632)	820	206	(1,388)
Investing activities				
Loans to subsidiary companies	-	-	(18,156)	(12,250)
Investment in subsidiary	-	-	-	(95)
Purchase of property, plant and equipment	(16,119)	(14,910)	-	(7)
Proceeds from sale of property, plant and equipment	-	354	-	-
Increase in other financial assets	(135)	(20)	(135)	(20)
Interest received	42	4	-	4
Proceeds from disposal of assets held for trading	197	-	197	-
Proceeds from disposal of subsidiary	-	44	-	44
Cash outflow from investing activities	(16,015)	(14,528)	(18,094)	(12,324)
Financing activities				
Equity share capital subscription, net	6,418	1,375	6,418	1,375
Draw down from Socius facility	3,000	-	3,000	-
New borrowings, net of costs	6,400	13,871	6,400	13,871
Repayments of borrowings	-	(202)	-	(202)
Interest paid	-	(364)	-	(364)
Cash flows from financing activities	15,818	14,680	15,818	14,680
Net (decrease)/(increase) in cash and cash equivalents	(1,829)	972	(2,054)	968
Cash and cash equivalents at start of year	1,823	961	1,808	949
Exchange movements	447	(110)	657	(109)
Cash and cash equivalents at end of year	441	1,823	395	1,808

The notes on pages 21 to 47 form part of these financial statements.

Notes to the financial statements

Year ended 28 February 2011

General information

Angel Mining plc (“Angel” or the “Company”) is incorporated and domiciled in the United Kingdom and, together with its subsidiaries, forms “the Group”.

The principal accounting policies applied in the preparation of the financial statements are set out below.

1. Basis of preparation

These financial statements have been prepared in accordance with IFRS as adopted by the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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 in the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed in note 3.

The Parent Company accounts of Angel Mining plc are separate financial statements. A separate income statement for the Parent Company has not been presented as permitted by Section 408 of the Companies Act 2006.

The financial statements of the Group and Company have both been prepared on the historical cost basis except for the revaluation of certain financial instruments.

a) Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive Officer's Statement on pages 2 to 5. The financial position of the Group, its cash flows, liquidity position, borrowings and equity drawdown facility, financial risk management objectives, details of financial instruments and exposure to credit risk and liquidity risk are also described in the CEO's Statement and in the notes to the financial statements.

The Group reported a loss for the year of \$7,773,000. In addition, as at 28 February 2011, the Group had net current liabilities of \$28,250,000. Given the above, the Directors consider that the greatest risks facing the Group are the ability to raise future funding, the continued support of Cyrus and the Company's ability to generate cash at Nalunaq gold mine. The ability to draw down against the Socius and Yorkville facilities is an important element impacting availability of cash.

Capital market and economic conditions fluctuate, as discussed in the Chief Executive Officer's Statement, commodity prices have a direct impact on the estimated future revenues and profitability of the Group. However, at the date of this report, the cash cost of production is forecast to be significantly less than the relevant commodity prices. Once Nalunaq reaches normal operating capacity, it should be ramping up to producing approximately 2,000 ounces of gold each month in late 2011 or early 2012 at an average cash cost of approximately \$700 per ounce. This will allow the Group to generate positive operating cashflow.

The FBC short term loan, amounting to \$21,948,000 plus arrears of interest, is now due to be repaid by 31 December 2011 following a renegotiation of the terms in August 2010.

The Company entered into a Eurobond facility on 3 September 2010 which provides the Company with a \$25 million drawdown facility valid until 2 September 2012. The Socius agreement is subject to covenants and contains a number of opt-out provisions. The Company had drawn down \$3,000,000 at the balance sheet date and a further \$5,000,000 since the balance sheet date, leaving \$17,000,000 still available to draw.

The Company entered into a new SEDA with Yorkville on 27 July 2011 which provided the Company with a £10.0 million (\$16,357,000) equity drawdown facility which will be valid until 26 July 2013. The SEDA agreement is subject to covenants and contains a number of opt-out provisions. The Company has not made any draw downs on this facility to date.

The Company also entered into a promissory note agreement with Yorkville on 27 July 2011. Under the terms of the promissory note, the Company can borrow up to a maximum of \$3,654,000 with the agreement of Yorkville. The promissory note can, at the Company's election, be repaid either out of cash resources or through the issue of advance notices under the SEDA. The promissory note bears interest at 4% per annum and is repayable in instalments, with the initial advance of \$1,350,000 repayable by the end of October 2011. Amounts of principal outstanding under the promissory note are convertible at the option of Yorkville into Ordinary Shares at 3p per share.

Notes to the financial statements (continued)

Year ended 28 February 2011

1. Basis of preparation (continued)

a) Going concern (continued)

For the purpose of their going concern assessment, the Directors have assumed that the Company will:

- have the continued support of its current debt provider, Cyrus and its affiliate, FBC;
- be able to draw down on the Socius and Yorkville facilities;
- have the ability to raise new finance; and
- be able to bring the Nalunaq gold mine into full production by Q1 2012.

The Directors have concluded that the combination of these circumstances represents a material uncertainty that casts significant doubt upon the Company's and Group's ability to continue as a going concern and that, therefore, the Company and the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, after making enquiries and considering the uncertainties described above, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future and are supported by the following post balance sheet events:

- the Group has completed a number of gold pours at Nalunaq and its first gold sale. Subsequent to this, the Directors believe that the Group will quickly move into a cash generative position;
- following the move into production, the Group's ability to raise money via the equity markets is significantly improved as evidenced by private placings of ordinary shares in June and July 2011;
- further draw downs on the Socius facility are possible if needed once approved by the majority shareholder and this has occurred based on history of draw downs and approvals received; and
- Cyrus and the Company have entered into discussions about extending the repayment terms of its loans and capitalised interest beyond December 2011.

For these reasons, they continue to adopt the going concern basis in preparing its annual financial statements. The Directors believe that the Group now has sufficient resources for continuing operations and it will be able to attract additional finance for the development of the Black Angel and other projects in the foreseeable future.

b) Adoption of new and revised standards

In the current year, the following new and revised Standards and Interpretations are effective but have not had any significant impact on the financial statements:

IFRS 2 (amended)	<i>Group Cash-settled Share-based Payment Transactions</i>
IFRS 3	<i>Business Combinations (2008)</i>
IAS 27	<i>Consolidated and Separate Financial Statements (2008)</i>
IFRIC 17	<i>Distributions of Non-cash Assets to Owners</i>

Standards affecting presentation and disclosure

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

IFRS 9	<i>Financial Instruments</i>
IAS 24 (amended)	<i>Related Party Disclosures</i>
IAS 32 (amended)	<i>Classification of rights issues</i>
IFRIC 14 (amended)	<i>Prepayment of a minimum funding requirement</i>
IFRIC 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>
Improvements to IFRSs (May 2010)	

The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Directors do not expect that the adoption of the other Standards or Interpretations listed above will have a material impact on the financial statements of the Company or the Group in future periods.

2. Accounting policies

a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 28 February each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Notes to the financial statements (continued)

Year ended 28 February 2011

2. Accounting policies (continued)

a) Basis of consolidation (continued)

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities are disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the costs on initial recognition of an investment in an associate or jointly controlled entity.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

b) Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, acquisition related costs are recognised in profit or loss as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

c) Investments in associates

An associate is an entity over which the Group is in a position to exercise significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair values of the identifiable assets, liabilities and contingent liabilities of the associate is recognised at the date of acquisition as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the profit or loss.

Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Notes to the financial statements (continued)

Year ended 28 February 2011

2. Accounting policies (continued)

d) Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

e) Investments in subsidiaries and associate – parent company accounts

Investments in subsidiaries and associates are recognised in the Company financial statements at historical cost less any provision for impairment. Any subsequent reversal of the impairment loss is then recognised in accordance with the accounting policy described in h) below.

f) Exploration and development costs

Expenditure on the acquisition cost, exploration and evaluation of interests in licences including related overheads is capitalised. Such costs are carried forward in the balance sheet under property, plant and equipment where such costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively by its sale. Where doubt exists over the viability of a project, the associated deferred exploration expenditure and development costs are assessed for impairment as set out below and any impairment loss is recognised in the income statement. Any subsequent reversal of the impairment loss is then recognised in accordance with the accounting policy described in h) below.

Project development costs include costs directly attributable to the construction of a mine and the related infrastructure, and are depreciated commencing when the assets are available for use over the estimated life of the reserves on a unit of production basis as defined in the Bankable Feasibility Study. Development properties are tested for impairment as discussed below.

g) Property, plant and equipment other than exploration and development costs

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment losses. Assets in the course of construction are not depreciated.

Depreciation is calculated to write off, on a straight line basis, each asset, less its estimated residual value, over its estimated useful life as follows:

- buildings – life of mine
- plant and machinery – 10% per annum
- office equipment – 25% per annum

The gain or loss arising on disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Useful economic lives, residual values and the method of depreciation are reviewed each year.

h) Impairment of assets

The Group assesses at each balance sheet date whether there is any indication that any of its assets have been impaired. If such indication exists, the asset's recoverable amount is estimated in the light of current business prospects and forecasts and compared to its carrying value.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, for which the estimates of future cash flows have not been adjusted.

Notes to the financial statements (continued)

Year ended 28 February 2011

2. Accounting policies (continued)

h) Impairment of assets (continued)

For goodwill, intangible assets that have an indefinite life and intangible assets not yet available for use, the recoverable amount is estimated at each balance sheet date and whenever there is an indication of impairment.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Where an impairment loss subsequently reverses as a result of a change in the estimates used to determine the recoverable amount since the impairment loss was recognised, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

i) Inventories

The Group's inventories comprise items held for consumption within operations, principally fuel and consumables, which are stated at a value calculated on a first in first out basis. Inventories are stated at the lower of cost and net realisable value.

j) Financial instruments

Financial instruments are classified as financial assets, financial liabilities or equity instruments.

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ('FVTPL'), held to maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in the near term; or on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the income statement. Fair value is determined in the manner described in note 26.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivable when recognition of interest would be immaterial.

Cash and cash equivalents

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

Derecognition of financial assets

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

Financial liabilities and equity

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

Notes to the financial statements (continued)

Year ended 28 February 2011

2. Accounting policies (continued)

j) Financial instruments (continued)

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Group to deliver cash or other financial assets that are potentially unfavourable to the Group; and
- where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial payments associated with financial instruments that are classified as equity are dividends and are recorded directly in equity.

Financial liabilities

Financial liabilities are classified as either financial liabilities "FVTPL" or "measured at amortised cost". Currently, the Group only has financial liabilities measured at amortised cost. The Group's financial liabilities comprise borrowings, and items such as trade payables that arise directly from its operations.

Borrowings

Borrowings are initially recognised at fair value being net proceeds less transaction costs and are subsequently measured at amortised cost. Finance payments associated with borrowings are dealt with as part of finance costs and are recognised using the effective interest rate method.

Convertible borrowings

On issue of a convertible borrowing, the fair value of the liability component is determined by discounting the contractual future cash flows using a market rate for a non-convertible instrument with similar terms. This value is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds are allocated to a separate component of equity, net of issue costs, which remains constant in subsequent periods. Issue costs are apportioned between the liability and equity components based on their respective carrying amounts when the instrument was issued.

On conversion, the liability is reclassified to equity and no gain or loss is recognised in the profit or loss. Where the convertible borrowing is redeemed early or repurchased in a way that does not alter the original conversion privileges, the consideration paid is allocated to the liability and equity components. The consideration relating to the equity component is recognised in equity and the amount of gain or loss relating to the liability element in profit or loss. The finance costs recognised in respect of the convertible borrowings includes the accretion of the liability.

Trade payables

Trade payables are initially recognised at fair value (nominal value) and then subsequently recorded at amortised cost. They do not carry any interest.

Derecognition of financial liabilities

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

k) Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for sale of mineral products in the normal course of business, net of discounts, value added tax ("VAT") and other sales-related taxes.

Sales are recognised when minerals are delivered and title has passed. There have been no revenues in either year.

Interest income is recognised on a time apportion basis using the effective interest rate method. Dividend income from investments, held at cost, is recognised when the shareholders' right to receive payment have been established.

Notes to the financial statements (continued)

Year ended 28 February 2011

2. Accounting policies (continued)

l) Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

m) Foreign currencies

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

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

Where a subsidiary's functional currency differs from the Group's presentational currency, the assets and liabilities of the subsidiary undertaking are translated into US dollar at the exchange rate prevailing on the balance sheet date. Also the income and expenditure of the undertaking are translated into US dollar at the average exchange rate for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified as equity and recognised in the Group's foreign currency translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group has elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRS as Sterling denominated assets and liabilities.

Notes to the financial statements (continued)

Year ended 28 February 2011

2. Accounting policies (continued)

n) Share-based payments

The Group has applied the requirements of *IFRS 2 Share-based Payments*.

The Group issues equity-settled share-based payments to certain employees to allow the Group's employees and consultants to acquire shares in the Company. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. 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 and adjusted for the effect of non market-based vesting conditions with a corresponding increase in equity.

The fair value is measured at the date of grant using the Black-Scholes model formula by reference to the fair value of those options so granted and is considered the most appropriate method taking into account the effect of the vesting conditions, the expected exercise period and the dividend policy of the Company.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair of the liability. At the balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

o) Employee benefits – post retirement

The Group contributes to the defined contribution schemes of other UK employees. The amount recognised as an expense represents the contributions payable to the scheme in respect of the financial year. In order to conserve cash reserves, no payments to the contributions have been made since 1 August 2008.

p) Provisions

Provisions are recognised in the balance sheet when there is a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions for environmental remediation and decommissioning of the Group's mining and exploration facilities have been estimated using current third party and management estimates and are discounted to present value where the effect is material. While the provision has been based on the best estimates of future costs and economic life, there is uncertainty regarding the timing of these costs.

The environmental remediation and decommissioning of the Group's mining and exploration facilities are capitalised as part of fixed assets, and are expensed when production activities commence.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of the assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

- going concern – note 1a;
- capitalisation and impairment of exploration and development costs – note 13;
- recoverability of exploration and development costs – note 13;
- impairment of assets, including goodwill – notes 12 and 13;
- estimation of share-based payments – note 25;
- provision for environmental remediation and decommissioning – note 23; and
- provisions in the Company against investments and balances due from subsidiary companies – notes 14, 15 and 18.

Notes to the financial statements (continued)

Year ended 28 February 2011

4. Group segment reporting

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance.

In the prior year, the Group acquired Nalunaq gold mine therefore bringing to the business another type of mining activity. In addition, the operations in Brazil were fully disposed of in 2009. The Group's reportable segments under IFRS 8 are therefore the Black Angel Zinc/Lead mine (Greenland), Nalunaq Gold Mine (Greenland) and Brazil (disposed of in 2009).

Information regarding the Group's operating segments is reported below.

Segment results

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment profit represents the profit earned by each segment without allocation of the share of profits of associates, central administration costs including directors' salaries, investment revenue and finance costs, and income tax expense, which are presented as other. This is the measure reported to the Group's Chief Executive for the purpose of resource allocation and assessment of segment performance.

The following is an analysis of the Group's results by reportable segment:

	Nalunaq gold mine \$'000	Black Angel zinc/lead mine \$'000	Brazil \$'000	Other \$'000	Total \$'000
2011					
Other operating costs	-	-	-	(3,384)	(3,384)
Operating loss	-	-	-	(3,384)	(3,384)
Finance cost	-	-	-	(4,444)	(4,444)
Finance income	-	-	-	42	42
Change in fair value of assets held for trading	-	-	-	13	13
Loss before tax	-	-	-	(7,773)	(7,773)
Taxation	-	-	-	-	-
Retained loss for the financial year	-	-	-	(7,773)	(7,773)

	Nalunaq gold mine \$'000	Black Angel zinc/lead mine \$'000	Brazil \$'000	Other \$'000	Total \$'000
2010					
Reversal of impairment of exploration and development costs	-	-	70	-	70
Gain on disposal of holding in subsidiary	-	-	-	44	44
Other operating costs	-	-	-	(1,772)	(1,772)
Operating profit/(loss)	-	-	70	(1,728)	(1,658)
Finance cost	-	-	-	(3,053)	(3,053)
Finance income	-	-	-	4	4
Share of loss of associate	-	-	-	(84)	(84)
Change in fair value of assets held for trading	-	-	-	78	78
Profit/(loss) before tax	-	-	70	(4,783)	(4,713)
Taxation	-	-	-	-	-
Retained profit/(loss) for the financial year	-	-	70	(4,783)	(4,713)

Segment assets

	2011 \$000	2010 \$000
Black Angel zinc/lead mine	25,425	21,205
Nalunaq gold mine	28,260	16,035
Other	1,726	2,380
	55,411	39,620

Notes to the financial statements (continued)

Year ended 28 February 2011

4. Group segment reporting (continued)

For the purposes of monitoring segment performance and allocating resources between segments the Group's Chief Executive monitors the tangible and financial assets attributable to each segment. All assets are allocated to reportable segments with the exception of investments in associates and other financial assets (except for trade and other receivables).

Additions to non-current assets

	2011 \$000	2010 \$000
Black Angel zinc/lead mine	5,146	2,519
Nalunaq gold mine	12,332	11,956
Other	-	7
	17,478	14,482

Reversal of impairment on exploration and development costs

	2011 \$000	2010 \$000
Brazil	-	(70)

5. Operating loss

Operating loss is the loss before taxation, finance income, finance costs, share of the results of associates and changes in fair value of investments held for trading.

	2011 \$000	2010 \$000
Operating loss is stated after charging/(crediting):		
Depreciation of property, plant and equipment	4	3
Reversal of impairment of exploration and development costs	-	(70)
Foreign exchange losses/(gains)	584	(547)
Impairment losses recognised on other receivables	445	-
Share-based payments	298	1,008
Loss/(gain) on sale on disposal of property, plant and equipment	26	(258)

	2011 \$000	2010 \$000
Amounts payable to Deloitte LLP in respect of:		
- audit services: statutory audit of parent and consolidated financial statements	53	175
- other services: audit of associates pursuant to legislation	33	41
- tax services: compliance and advisory	49	81
	135	297

Fees paid to Deloitte LLP and its associates for non-audit services to the Company itself are not disclosed in the individual financial statements of the Company because the Company's consolidated accounts are required to disclose such fees on a consolidated basis.

6. Remuneration of Directors and key management personnel

Key management personnel comprise only the Directors.

	2011 \$000	2010 \$000
Emoluments – short term employee benefits		
NJH Hall	195	163
KH McNair	129	-
TJ Daffern	137	162
DPL Williams	-	28
	461	353
Pension contribution – post-employment benefits		
NJH Hall	30	34
KH McNair	20	-
TJ Daffern	(20)	34
	30	68
Total emoluments and pension contributions	491	421

Notes to the financial statements (continued)

Year ended 28 February 2011

6. Remuneration of Directors and key management personnel (continued)

The Directors' interests in the Company's share option scheme are detailed in the Directors Remuneration Report. The total amount expensed in the year was \$298,000 (2010: \$1,008,000), all of which relates to the directors share options except for \$61,000 (2010: \$33,000).

Details of other related party transactions are shown in note 29.

The highest paid director received emoluments of \$195,277 (2010: \$199,299) and pension contributions of \$29,520 (2010: \$34,663). There were unpaid pension contributions totalling \$118,717 owed to the Directors as at 28 February 2011 (2010: \$68,370).

7. Staff numbers and costs

	2011	2010
Average number of employees, including Directors	18	9

Staff costs during the year in respect of those employees were:

	2011 \$000	2010 \$000
Wages and salaries	772	374
Social security costs	67	56
Pension costs	30	68
Share-based payments (see note 25)	298	1,008
	1,167	1,506

8. Finance costs

	2011 \$000	2010 \$000
Interest on borrowings	4,012	2,399
Bank and other borrowing costs	390	629
Unwinding of discount on decommissioning provision (note 23)	42	25
	4,444	3,053

No gains or losses have been recognised on financial liabilities measured at amortised cost other than as shown above.

9. Finance income

	2011 \$000	2010 \$000
Bank interest	42	4

No other gains or losses have been recognised in respect of loans and receivables (including cash and bank balances), other than as shown above.

10. Taxation

Subject to agreement with HM Revenue & Customs and overseas tax authorities, the Group has tax losses estimated to be in excess of \$23 million (2010: \$16 million) available for set-off against future trading profits. The deferred tax asset relating to the above losses has not been recognised in the financial statements as the asset will take a number of years to be realised and its recoverability is uncertain.

Notes to the financial statements (continued)

Year ended 28 February 2011

10. Taxation (continued)

There is no tax charge for the year. This is higher than the credit resulting from the loss before tax at the standard rate of Corporation Tax in the UK of 28% (2010: 28%). The differences are explained as follows:

	2011 \$000	2010 \$000
Loss on ordinary activities before taxation	(7,773)	(4,713)
Tax at 28%	(2,176)	(1,320)
Effects at 28%		
- net income not taxable for tax purposes	84	(90)
- differences between capital allowances and depreciation	-	(509)
- tax losses carried forward	2,092	1,919
Tax loss on ordinary activities	-	-

It should be noted that in the 2011 Finance Act it was announced that the rate of corporation tax would be decreased from 28% to 26% with effect from April 2011. As a result future taxable profits under UK corporation tax will be subject to tax at this new rate.

11. Loss per share

The basic and diluted loss per share is calculated by dividing the loss attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the year.

	Losses attributable to equity holders of the parent \$000	Weighted average number of shares	Loss per share cents
Basic and diluted loss per share 2011	(7,773)	367,913,632	(2.11)
Basic and diluted loss per share 2010	(4,713)	254,791,311	(1.85)

As the Group has made a loss for both years, convertible loan voting rights, warrants and share options detailed in notes 22, 24 and 25 were anti-dilutive and have not been included in the fully diluted loss per share calculation.

12. Intangible assets

	\$000
Cost	
As 28 February 2009	1,221
Exchange difference	84
At 28 February 2010	1,305
Exchange difference	62
At 28 February 2011	1,367
Impairment	
As 28 February 2009	1,221
Exchange difference	84
At 28 February 2010	1,305
Exchange difference	62
At 28 February 2011	1,367
Net book value	
At 28 February 2010 and 2011	-

The goodwill arose on the acquisition of 1 March 2006 of the non-controlling interest in Black Angel Mining Ltd (now Arctic Mining Ltd).

In assessing the impairment, the recoverable amount has been determined as the fair value less cost to sell in the light of latest business projections at that time.

Notes to the financial statements (continued)

Year ended 28 February 2011

13. Property, plant and equipment

Group	Infrastructure \$'000	Assets under construction \$'000	Decommis- sioning assets \$'000	Plant and machinery \$'000	Exploration and development costs \$'000	Office equipment \$'000	Total \$'000
Cost							
At 28 February 2009	734	5,430	1,106	914	11,686	207	20,077
Additions	-	14,407	-	68	-	7	14,482
Additions on acquisition	50	-	-	750	200	-	1,000
Change in estimate	-	-	695	-	-	-	695
Disposals	-	-	-	(498)	(4,113)	(194)	(4,805)
Exchange movement	56	(403)	66	(80)	588	-	227
At 28 February 2010	840	19,434	1,867	1,154	8,361	20	31,676
Additions	-	17,478	-	-	-	-	17,478
Disposals	(24)	-	-	-	-	(3)	(27)
Change in estimate	-	-	(464)	-	-	-	(464)
Exchange movement	3	-	10	-	43	-	56
At 28 February 2011	819	36,912	1,413	1,154	8,404	17	48,719
Accumulated depreciation/ impairment							
At 28 February 2010	53	-	-	178	4,276	194	4,701
Charge for the year	-	-	-	-	-	3	3
Reversal of impairment	-	-	-	-	-	(70)	(70)
Disposals	-	-	-	-	(4,113)	(119)	(4,232)
Exchange movement	4	-	-	-	12	-	16
At 28 February 2010	57	-	-	178	175	8	418
Charge for the year	-	-	-	-	-	4	4
Disposals	-	-	-	-	-	(1)	(1)
Exchange movement	-	-	-	-	1	-	1
At 28 February 2011	57	-	-	178	176	11	422
Net book value							
At 28 February 2011	762	36,912	1,413	976	8,228	6	48,297
At 28 February 2010	783	19,434	1,867	976	8,186	12	31,258

All the assets of Angel Mining plc, Arctic Mining Ltd (formerly Black Angel Mining Ltd) and its subsidiaries have been pledged as collateral for security against the borrowings from Cyrus (see note 22). This includes all land and buildings, assets under construction, plant and machinery and office equipment.

Disposals of exploration and development costs in the prior year relate to impaired costs in respect of the Brazilian operations liquidated in that year.

The Group's ability to recover the cost of fixed assets has been assessed using the method described in note 26 and applying the following key assumptions to calculate the value in use:

- pre-tax discount rate of 15%;
- production flow rates and estimated life of the reserves based upon the Bankable Feasibility Study;
- expected future selling price based upon anticipated market conditions; and
- costs, with particular reference to previous experience and expected inflation.

Notes to the financial statements (continued)

Year ended 28 February 2011

13. Property, plant and equipment (continued)

Company	Exploration and development costs \$000	Office equipment \$000	Total \$000
Cost			
At 28 February 2009	1,762	60	1,822
Additions	-	7	7
Disposals	(1,762)	(48)	(1,810)
At 28 February 2010	-	19	19
Disposals	-	(2)	(2)
At 28 February 2011	-	17	17
Accumulated depreciation/impairment			
At 28 February 2009	1,762	49	1,811
Charge for the year	-	3	3
Disposals	(1,762)	(43)	(1,805)
At 28 February 2010	-	9	9
Charge for the year	-	4	4
Disposals	-	(2)	(2)
At 28 February 2011	-	11	11
Net book value			
At 28 February 2011	-	6	6
At 28 February 2010	-	10	10

Disposals of exploration and development costs in the prior year relate to impaired costs in respect of the Brazilian operations liquidated in that year.

All the assets of the Company have been pledged as collateral for security against the borrowings shown in note 22.

14. Investments in subsidiaries

Company	\$000
Cost	
At 28 February 2009	12,312
Additions/disposals, net	95
At 28 February 2010 and 2011	12,407
Impairment	
At 28 February 2009	(2,737)
At 28 February 2010 and 2011	(2,737)
Net book value	
At 28 February 2010 and 2011	9,670

Subsidiary undertakings	Country of incorporation	Shares held	Principal activity
Arctic Mining Ltd (previously Black Angel Mining Ltd)	England	100%	Mining services
Black Angel Mining A/S*	Greenland	100%	Exploitation
Angel Mining (Gold) A/S	Greenland	100%	Exploitation

* Held indirectly through Arctic Mining Ltd

Notes to the financial statements (continued)

Year ended 28 February 2011

15. Investments

Investments accounted for using the equity method

Group	\$000
At 28 February 2009	190
Share of loss of associate in the 7 months ended 30 July 2009	(84)
Reclassification to investment held for trading	(106)
At 28 February 2010 and 2011	-

The Company's investment in Orion Metals Ltd ("OML") as at 1 March 2009 was 24.52% and accordingly it was treated as being an investment in an associated company, valued in the Group's financial statements at cost less the share of losses.

The investment of 14,666,667 shares was reduced on 30 July 2009 to 3,666,667 shares, following a 1 for 4 consolidation, and on the same date, OML issued a convertible loan instrument which was converted on 18 August 2009 and resulted in a dilution of the Company's interest in OML from 24.52% to 14.85% of the total issued capital. From 30 July 2009, the investment is regarded as held for trading as the Company is not deemed to have a significant influence over OML and accordingly are presented as investments held for trading since this date.

Investments held for trading

Group	\$000
At 28 February 2009	-
Reclassification from investment accounted for using the equity method	106
Change in the fair value of investment	78
At 28 February 2010	184
Change in fair value of investment	13
Disposal	(197)
At 28 February 2011	-

On 15 June 2010 the Company sold its shares for A\$225,467.

Prior to 28 February 2009, neither the Company nor the Group had any investments held for trading. The investment in the Company's financial statements is valued at cost less provision for impairment.

Company	Cost \$000	Provision \$000	Net \$000
At 28 February 2009	818	-	818
Impairment	-	(634)	(634)
At 28 February 2010	818	(634)	184
Impairment reversal	-	13	13
Disposal	(818)	621	(197)
At 28 February 2011	-	-	-

16. Rehabilitation security deposit

	2011 \$000	2010 \$000
Black Angel lead/zinc mine	1,462	1,455
Nalunaq gold mine	2,952	2,937
	4,414	4,392

These deposits cover the estimated cost, as agreed with the Greenland Bureau of Mines and Petroleum, of decommissioning and rehabilitation obligations, as described in note 23. The Group's right to access this deposit is restricted.

17. Inventory

	2011 \$000	2010 \$000
Consumables	550	528
Spare parts	312	322
	862	850

Notes to the financial statements (continued)

Year ended 28 February 2011

18. Trade and other receivables

	Group		Company	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Current				
Other receivables	55	590	45	93
Prepayments	82	272	21	19
Amounts owed by subsidiaries	-	-	47,988	28,764
	137	862	48,054	28,876

An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Other receivables are stated after an impairment of \$445,000 (2010: \$nil). The remaining amounts presented as other receivables are neither past due or impaired.

19. Other financial asset

	\$000
Balance at 28 February 2009	-
Additions during the year	382
Derecognition during the year	(131)
Balance at 28 February 2010	251
Additions during the year	1,385
Derecognition during the year	(376)
Balance at 28 February 2011	1,260

On 24 April 2009, the Company entered into a £5 million SEDA with YA Global Master SPV, Ltd for a period of 24 months from the first draw down on the account to 26 June 2011. The Company incurred total fees of \$382,299 in respect of the facility.

On 3 September 2010, the Company entered into a \$25 million medium term note programme with Socius. The Company incurred total fees of \$1,385,000 in respect of the facility, of which \$1,250,000 were satisfied by shares and the remaining \$135,000 in cash.

A portion of the other financial asset has been derecognised in proportion to the drawdowns made against the SEDA and it is recognised as transaction costs via an equity transaction and therefore deducted from the share premium account. When the SEDA and Socius facilities are fully utilised, the other financial asset will have been completely derecognised.

During the year ended 28 February 2011, \$6,417,608 was drawn down (2010: \$543,533) against the SEDA through the issue of 87,505,913 shares (2010: 7,672,411) at an average price of 4.66p per share (2010: 4.4p) (see note 24).

During the year ended 28 February 2011, \$3,000,000 was drawn down via the Socius facility through the issue of 58,782,856 shares at a price of 4.34p per share (see notes 22 and 24).

During the year no gain or loss were recognised in respect to changes in the fair value of these financial assets (2010: \$nil).

20. Trade and other payables

	Group		Company	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Current				
Trade payables	4,367	3,903	355	225
Accruals and deferred income	2,886	501	2,609	477
Other payables	516	114	325	54
	7,769	4,518	3,289	756

Notes to the financial statements (continued)

Year ended 28 February 2011

21. Current provisions

The current provision as at 28 February 2010 and 2011 relates entirely to the Company's liability under the JSOP (the "JSOP liability") which is a cash-settled share-based payment transaction (see note 25).

22. Borrowings

	Group		Company	
	2011	2010	2011	2010
	\$000	\$000	\$000	\$000
Current borrowings	21,848	14,298	21,848	14,298
Non-current borrowings	7,190	5,987	7,190	5,987
	29,038	20,285	29,038	20,285

(i) Cyrus convertible loan

In July 2007, the Company arranged a \$30 million debt facility with Cyrus. This facility is split into two tranches, the first (Tranche A) being \$12.5 million and the second (Tranche B) \$17.5 million. Tranche A was drawn down on 10 July 2007. Tranche B was not drawn down by 10 October 2008 and the facility therefore expired.

The debt facility has a term of three years and carries interest at 11% per annum payable quarterly in arrears. The loan is guaranteed by Angel, Arctic Mining Ltd ("Arctic") and any of Arctic's subsidiaries and is secured by a full fixed and floating charge over all of the assets of the guarantors. Tranche A was subject to an arrangement fee of 4% which was paid on drawdown; tranche B has a similar arrangement fee which was paid on 31 December 2007. A commitment fee of 3.5% was also paid in respect of Tranche B.

The debt facility also involved the issue of 37.5 million warrants to Cyrus at an exercise price of 20p; it is considered that these warrants have a negligible fair value, on the basis that had the warrants not been issued, none of the other terms of the loan would have varied. The warrants were cancelled on 11 May 2009 as part of the re-structuring of the underlying loan.

In May 2009, Cyrus agreed to refinance its \$12.5 million Tranche A loan on the basis that FBC, an affiliate of Cyrus, would subscribe for Convertible Loan Notes and a B Share in exchange for the cancellation of the Cyrus Tranche A loan and the warrants. On 21 August 2009, shareholders approved the refinancing and the agreement was concluded.

The Convertible Loan Notes, which do not attract any interest, are convertible at any time, but not later than 31 December 2016 (31 December 2012 before the amendment made on 30 August 2010), by FBC, into 577,275,625 fully paid Ordinary Shares. To date, there have not been any conversions of Loan Notes.

The fair value of the convertible loan notes were split between the liability element and an equity component at the date of issue, representing the fair value of the embedded option to convert the liability into equity of the Company, as follows:

	\$000
Equity component at 28 February 2010 and 2011	7,371
Liability component at date of issue	5,199
Interest charged during the period	788
Liability component at 28 February 2010	5,987
Interest charged during the period	1,195
Liability component at 28 February 2011	7,182

The equity component of \$7,370,694 has been credited to equity reserves at the date of issue.

The interest charged for the year is calculated by applying an effective interest rate of 27.1% up to the amendment of the convertible repayment date and 10.96% thereafter to the liability component for the year. The liability component is measured at amortised cost. The difference between the carrying amount of the liability component at the date of issue and the amount reported in the statement of financial position at 28 February 2011 represents the effective interest rate loss.

The Loan Notes will have the benefit of the same security as the Cyrus Loan until the Company secures funding necessary to put the Black Angel Mine into production in an amount and on terms satisfactory to FBC, at which time Cyrus will release its security, if security is required by the financing party.

Notes to the financial statements (continued)

Year ended 28 February 2011

22. Borrowings (continued)

(i) *Cyrus convertible loan (continued)*

The B share provides FBC with the same voting rights at general meetings of the Company as if they had exercised their conversion rights (see note 24). Based on the number of shares in issue at 28 February 2011, FBC would have 54.7% of all voting rights.

(ii) *Cyrus short-term loan*

On 1 July 2009, FBC made a short-term loan of \$1.25 million, to finance the acquisition of Nalunaq. On 15 September 2009 the loan was increased to \$2 million and on 16 October 2009 the Company received further funding from FBC of \$9.5 million. This was extended on 5 February 2010 by a further \$3 million taking the total new secured loan facility to \$14.5 million. Fees of \$628,750 have been paid to Cyrus, the loan bears interest at 15% p.a. and it was originally repayable on or before 16 October 2010.

As established in the conditions to the above short-term loan, in February 2010 the Company entered into a royalty agreement under which Cyrus would receive a royalty percentage of gold, zinc and lead sales over an agreed base cost (see note 29).

On 26 May 2010, FBC advanced a further \$2.0 million, which was treated as a further tranche of the short-term loan, increasing the total outstanding to \$16.5 million.

On 14 July 2010, FBC advanced a new loan of \$4.5 million with a facility fee of 6.0% and bearing interest at 10% p.a. The facility fee of \$270,000 plus an additional \$120,000 relating to the loan of \$2 million made on 26 May 2010 are payable as \$100,000 on 14 July 2010 and the balance is due at the time the loan is repaid.

In August 2010, Cyrus agreed to capitalise any accrued interest due to that date on the loan and for the repayment terms of the loan to be amended so that the loan was to be repaid by 31 December 2011. Additionally, the Company amended the terms of the royalty agreements mentioned above. These amendments to the facility were approved by shareholders at a general meeting held on 27 September 2010.

The loan agreement requires that SEDA (defined below) drawings will be used to repay the loan, together with cash from sales of gold produced at Nalunaq. To date, SEDA drawings have amounted to £4,916,806 (\$7,778,291) of which £125,000 (\$202,000) has been used as a part repayment of the FBC short term loan. As a result of the Company having not used all the drawings under the SEDA to repay the FBC short term loan, the Company was in technical breach of the loan agreement as at 28 February 2010 and 2011. Additionally, the Company has not made any interest payments since September 2011. Cyrus and FBC are aware of these technical breaches. The Company and Cyrus are in discussions about ways to remedy these breaches and potentially extend the repayment terms of the short term-loan.

(iii) *Socius*

On 3 September 2010, the Company signed an agreement for a \$25.0 million financing facility with Socius which would enable the Company to issue 10 year 10% Eurobonds as it draws down on the facility. On draw down of a portion of the facility, the Company would issue an option to Socius to subscribe for ordinary shares in the Company at the closing Angel Mining share price on the day before the draw down request ("the investment share price") for such number of ordinary shares in the Company that would have a value equal to 110% of the draw down amount. The Company would also issue warrants to Socius which could be exercised at any time for 12 months from the date of issue at the investment share price, for a value equal to 25% of the draw down amount. Socius could pay for the exercise of the options and warrants either in cash or in four year 2% loan notes, which may be offset against the Eurobond notes. The agreement provides for an early redemption premium such that the loan notes, the Eurobond and interest commitments will cancel each other out at anniversary dates plus one day.

On 4 October 2010 the Company requested a drawdown of \$3.0 million. In accordance with the terms of the facility, Angel Mining issued \$3.0 million 10% Eurobonds and issued to Socius warrants over 10,885,714 ordinary shares in the Company and an option to subscribe for 47,897,142 ordinary shares in the Company. Socius exercised immediately both the warrants and the option to subscribe for the full amount by issuing corresponding promissory note for \$4.05 million.

As permitted by IFRS, the financial asset and the financial liability arising from the drawdown mentioned above, being the \$4.05 million promissory note and the \$3.0 million Eurobond respectively, have been offset and the net amount presented in the statement of financial position as the Company has a legally enforceable right to set off the recognised amounts; and intends to settle these instruments on a net basis.

The Company's intention is to settle these instruments on the fourth anniversary, as this represents the most favourable economic outcome for the Company. The net present value of the cashflow that is expected to flow from the settlement of these instruments at that date is \$8,449 and therefore a liability for this amount has been recognised and presented within non-current borrowings as at 28 February 2011 (2010: \$nil).

Notes to the financial statements (continued)

Year ended 28 February 2011

22. Borrowings (continued)

(iii) Socius (continued)

Socius exercised the options and warrants on or around the same date of the issuance of the Eurobond. Accordingly, the \$3,000,000 cash received from the drawdown made in October 2010, together with the liability recognised as non-current borrowing of \$8,449, has been treated as the consideration received for the issuance of shares to Socius and accordingly \$2,991,551 has been recognised in equity as a result of this transaction.

23. Non-current provisions

Environmental rehabilitation provision

	Group	
	2011	2010
	\$000	\$000
Balance brought forward	5,184	1,106
Changes in estimate	(856)	695
Additions during the year	-	3,388
Unwinding of discount	42	25
Exchange movement	28	(30)
Balance carried forward	4,398	5,184

The environmental rehabilitation provision has been established to cover any net asset decommissioning and rehabilitation obligations. Such obligations include the dismantling of infrastructure, removal of residue materials and remediation of disturbed areas. The provision is based upon a third party quotation augmented by management estimates for additional labour and transport costs. It does not allow for any additional obligations expected from future developments.

This amount has been recognised as a provision at its net present value, using a discount rate that reflects the market assessment of time value of money at that date and the unwinding of the discount on the provision will be charged to the income statement. Key assumptions underlying the calculation are a pre-tax, risk-free discount rate, estimated to be 1%, corresponding to the interest rate offered on the rehabilitation security deposit by the Grønlandsbanken at the year end. These expenditures are expected to be incurred at the end of the producing life of the mine in the removal and decommissioning of the facilities currently in place (currently estimated to be in ten years).

Cost estimates are formally reviewed at regular intervals; it is intended that third party quotations will be updated on an annual basis and adjusted accordingly.

24. Share capital

Ordinary shares

	Shares		£	
	2011	2010	2011	2010
	(000,000)	(000,000)	(000)	(000)
Authorised for allotment				
At beginning of year	2,000	1,000	20,000	10,000
Increased in year	3,172	1,000	31,720	10,000
At end of year	5,172	2,000	51,720	20,000
	Shares			
	2011	2010		
	(000)	(000)		
Issued				
At beginning of year	297,489	212,016		
Issued in year	180,837	85,473		
At end of year	478,326	297,489		

Increase in authorised share capital

On 27 September 2010, the authorised share capital of the Company was increased from £20,000,001 to £51,720,000, represented by 5,172,000,000 ordinary shares of 1p each and 1 'B share' of £1.00.

Notes to the financial statements (continued)

Year ended 28 February 2011

24. Share capital (continued)

Details of the Rights attaching to the B share, which is held by Cyrus, are set out below:

- (a) a holder of the B Share has the right to attend and vote at general meetings of the Company;
- (b) the B Share shall carry votes equal to the number of votes that the holder of the B Share would receive if it and/or any associates of it had converted the Loan Notes held by it or any of its associates (if any) on the record date of the meeting into Ordinary Shares (577,275,625 shares at 28 February 2010) in accordance with the conditions set out in the Loan Note Instrument;
- (c) the provisions of these revised articles of association, approved by shareholders on 31 August 2009, relating to votes attaching to the Ordinary Shares shall apply to the B Shares;
- (d) the B Share shall have no entitlement to dividends or a return of capital; and
- (e) the B Share is transferable only to an associate of FBC or Cyrus.

For the purposes of the above “associate” shall be as defined in s435 of the Insolvency Act 1986; “Loans Note Instrument” means the instrument executed as a deed by the Company and dated 8 May 2009 constituting the Loan Notes; and “Loan Notes” means \$12,500,000 Convertible Loan Notes denominated in units of \$1,000 convertible into Ordinary Shares and constituted by the Loan Note Instrument or the amount for the time being issued and outstanding.

Under its previous Articles of Association, the Company had authority to issue 2,000,000,000 ordinary shares of 1p each and 1 B share of £1. At a general meeting of shareholders held on 31 August 2010, the Company adopted new Articles of Association. The Directors were given authority to allot up to 1,500,000,000 shares of 1p each for general purposes. This authority was limited by the new Articles of Association to 1,500,000,000 shares over and above the already issued share capital. This authority will expire at the Company’s next general meeting. At a general meeting of shareholders held on 27 September 2010, the Directors were given authority to allot up to 3,375,000,000 shares of 1p each in relation to the Socius facility.

Share capital issues

On 23 March 2010, 2,180,233 new ordinary shares were issued to North Atlantic Mining Associates Ltd (“NAMAL”) at 6.88p being a £150,000 (\$225,615) part settlement for work done at Nalunaq gold mine.

On 29 March 2010, 10,407,139 new ordinary shares were issued to YA Global Master SPV at 6.34p per share being the fourth SEDA draw down for £660,000 (\$1,007,688).

On 22 April 2010, 5,583,831 new ordinary shares were issued to NAMAL at 6.96p being a £388,635 (\$598,459) part settlement for work done at Nalunaq gold mine.

On 21 July 2010, 1,857,493 new ordinary shares were issued to NAMAL at 5.38p being a £100,000 (\$152,670) part settlement for work done at Nalunaq gold mine.

On 10 August 2010, 5,519,418 new ordinary shares were issued to YA Global Master SPV at 4.28p per share being the fifth SEDA draw down for £236,000 (\$368,561).

On 7 September 2010, 2,262,443 new ordinary shares were issued to NAMAL at 4.42p being a £100,000 (154,007) part settlement for work done at Nalunaq gold mine.

On 7 September 2010, 3,520,519 new ordinary shares were issued to YA Global Master SPV at 4.26p per share being the sixth SEDA draw down for £150,000 (\$234,315).

On 7 September 2010, 3,000,000 new ordinary shares were issued to Entreprenørfirmaet EMJ Grønland ApS at 4.75p being a £142,500 (\$219,460) part settlement for work done at the Black Angel mine.

On 30 September 2010, 19,554,225 new ordinary shares were issued to Socius at 4.04p in settlement of a facility fee of \$1,250,000.

On 28 September, 7,704,924 new ordinary shares were issued to YA Global Master SPV at 3.68p per share being the seventh SEDA draw down for £283,500 (\$448,782).

On 6 October 2010, 58,782,856 new ordinary shares were issued to Socius at 3.21p following the exercise of warrants and options for consideration of \$2,991,551 (see note 22(iii)).

On 10 November 2010, 20,433,740 new ordinary shares were issued to YA Global Master SPV at 3.67p per share being the eighth SEDA draw down for £750,000 (\$1,205,264).

On 14 December 2010, 110,534 new ordinary shares were issued to Glenn Wightman at 5.13p being a £5,665 (\$8,725) full settlement for work done at Nalunaq gold mine.

Notes to the financial statements (continued)

Year ended 28 February 2011

24. Share capital (continued)

Share capital issues (continued)

On 15 December 2010, 20,870,291 new ordinary shares were issued to YA Global Master SPV at 4.79p per share being the ninth SEDA draw down for £1,000,000 (\$1,544,041).

On 28 January 2011, 19,049,886 new ordinary shares were issued to YA Global Master SPV at 5.25p per share being the tenth SEDA draw down for £1,000,000 (\$1,608,956).

Equity capital raisings since the date of the Consolidated Statement of Financial Position are set out in note 30.

25. Share-based payments

Joint Share Ownership Plan ("JSOP")

Under the terms of the JSOP, 31,000,000 shares were issued on 27 November 2009, at 5p each, to the EBT which is administered by Ardel Trust Company (Guernsey), which holds the shares on behalf of the participants. The EBT has an interest free loan from the Company, to buy the shares, and therefore the transaction is cash flow neutral to both the Company and the participants. Each participant may, after twelve months and before the fifth anniversary of the grant, take shares out of trust at a price of 5.89 pence per share. Of that, 5.00 pence per share will be used to repay the loan outstanding with the Company and the balance of 0.89 pence will be held by the trust until there is a suitable employee benefit need.

References in the statement of financial position and changes in equity to own shares held by EBT relate to those shares issued as part of the JSOP.

Due to the conditions described above, this is considered a cash-settled share-based payment transaction and has been accounted for as described in note 21.

The number of shares granted and outstanding at 28 February 2011 is as follows:

	Weighted average exercise price per share (pence)	Number of shares (000)
Outstanding at 28 February 2009	-	-
Granted during the year	5.89	31,000
Outstanding at 28 February 2010	5.89	31,000
Granted during the year	5.89	10,000
Lapsed during the year	5.89	(12,500)
Outstanding at 28 February 2011	5.89	28,500

18,500,000 shares are exercisable as at 28 February 2011 (2010: nil). No shares have been exercised in the year (2010: nil).

The fair value of this incentive is measured at each reporting period using a binomial option valuation model and is considered the most appropriate method taking into account the effect of the vesting conditions, the expected exercise period and the dividend policy of the Company. There are not any market vesting conditions attached to the awards. The variables used in arriving at a fair market value of the awards, as at 28 February 2011, are as follows:

	2011 awards	2010 awards
Date of grant	07/12/10	27/11/09
Fair value of shares awards at measurement date (pence)	6.86	6.36
Share price at 28 February 2011	8.46	8.46
Exercise price	9.49	9.49
Expected volatility	121%	121%
Option life (years)	4.8	3.7
Expected dividends	-	-
Risk free interest rate	1.5%	1.5%

The calculation of the volatility of the share price was based on the Company's daily closing share price in the two years preceding the date of the grant. The life of the embedded option is estimated in the light of relevant factors, including behavioural considerations.

Notes to the financial statements (continued)

Year ended 28 February 2011

25. Share-based payments (continued)

Unapproved Share Option Scheme

Since the year end, the Company started a new Unapproved Share Option Scheme (see note 30).

26. Financial instruments

Financial risk management

The Group's operations expose it to a number of financial risks. A risk management programme has been established to protect the Group against the potential adverse effects of these financial risks. There has been no significant change in these financial risks since the prior year.

The Group does not hold derivatives, no trading in financial instruments is undertaken and no hedging arrangements have been carried out.

The Group monitors its liquidity risk and interest rate risk primarily through cash flow forecasting. Foreign currency risk is also monitored through cash flow forecasting and currency is held in foreign currency bank accounts only to the extent that it is required for working capital purposes.

Categories of financial instruments

The Group's financial instruments, grouped according to the categories defined in IAS 39 'Financial instruments: Recognition and Measurement', were as follows:

	Group		Company	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Financial assets				
Loan and receivables (including cash and cash equivalents)				
- Rehabilitation security deposit	4,414	4,392	-	-
- Trade and other receivables	55	590	48,033	28,857
- Cash and cash equivalents	441	1,823	395	1,808
Fair value through profit or loss				
- Investments held for trading	-	184	-	184
- Other financial assets	1,260	251	1,260	251
	6,170	7,240	49,688	31,100
Financial liabilities				
Financial liabilities at amortised costs				
- Trade and other payables	7,769	4,518	3,289	756
- Current borrowings	21,848	14,298	21,848	14,298
- Current provisions (JSOP liability)	1,333	968	1,333	968
- Non-current borrowings	7,190	5,987	7,190	5,987
	38,140	25,771	33,660	22,009

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- the fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis based on the applicable yield curve for the duration of the instruments non-optional derivatives, and option pricing models for optional derivatives.

Notes to the financial statements (continued)

Year ended 28 February 2011

26. Financial instruments (continued)

Fair value of financial instruments (continued)

The following table provides an analysis of the financial instruments that are measured subsequent to initial recognition at fair value, 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); and
- 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).

Group 2011	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Other financial assets	-	-	1,260	1,260
	-	-	1,260	1,260
Financial liabilities				
Current borrowings	-	21,848	-	21,848
Current provisions (JSOP liability)	-	1,333	-	1,333
Non-current borrowings	-	7,190	-	7,190
	-	30,371	-	30,371
Group 2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Investments held for trading	184	-	-	184
Other financial assets	-	-	251	251
	184	-	251	435
Financial liabilities				
Current borrowings	-	14,298	-	14,298
Current provisions (JSOP liability)	-	968	-	968
Non-current borrowings	-	5,987	-	5,987
	-	21,253	-	21,253

There were no transfers between levels during the current or prior year.

It is the Directors' opinion that the fair value of the Group's and the Company's financial instruments reflect the carrying amounts shown in the balance sheet with the exception of the current and non-current borrowings.

The fair value of the current and non-current borrowings has been determined by discounting future cash flows at a rate to reflect its associated level of risk.

Cash and cash equivalents comprise bank balances.

Credit risk

The Group invests its surplus funds in high quality banks. Such funds are available on demand.

The carrying amount of the financial assets shown above, net of impairment losses, represents the Group's and Company's maximum exposures to credit risk as no collateral or other credit enhancements are held.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. The Group and Company are exposed to the following market risks: interest rate risk, foreign currency risk and commodity price risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Below is the Group and Company's exposure to interest rate risk and the impact on Group results of a 1% point fluctuation. A positive number in the sensitivities shown below indicates a decrease in the net finance costs of the Group.

Notes to the financial statements (continued)

Year ended 28 February 2011

26. Financial instruments (continued)

Interest rate risk (continued)

Group 2011	Non-interest bearing \$000	Variable rate \$000	Fixed rate \$000	Weighted average rate %	1% point increase \$000	1% point decrease \$000
Financial assets						
Rehabilitation security deposit	-	4,414	-	0.5%	44	(44)
Trade and other receivables	55	-	-	-	-	-
Cash and cash equivalents	-	441	-	0.5%	4	(4)
Other financial assets	1,260	-	-	-	-	-
	1,315	4,855	-		48	(48)
Financial liabilities						
Trade and other payables	7,769	-	-	-	-	-
Current borrowings	-	-	21,848	12.5%	-	-
Current provisions (JSOP liabilities)	1,333	-	-	-	-	-
Non-current borrowings	7,190	-	-	-	-	-
	16,292	-	21,848		-	-
Group 2010						
	Non-interest bearing \$000	Variable rate \$000	Fixed rate \$000	Weighted average rate %	1% point increase \$000	1% point decrease \$000
Financial assets						
Rehabilitation security deposit	-	4,392	-	0.5%	44	(44)
Trade and other receivables	590	-	-	-	-	-
Cash and cash equivalents	-	1,823	-	0.5%	18	(18)
Investments held for trading	184	-	-	-	-	-
Other financial assets	251	-	-	-	-	-
	1,025	6,215	-		62	(62)
Financial liabilities						
Trade and other payables	4,518	-	-	-	-	-
Current borrowings	-	-	14,298	15.0%	-	-
Current provisions (JSOP liabilities)	968	-	-	-	-	-
Non-current borrowings	5,987	-	-	-	-	-
	11,473	-	14,298		-	-

Foreign currency risk

Foreign currency risk refers to the risk that the value of a financial commitment or recognised asset or liability will fluctuate due to changes in foreign currency rates.

The table below shows the currency profiles of monetary assets and liabilities which differ from the functional currency and the impact of a 10% movement in their exchange rates. A positive number in the sensitivities shown below indicates additional foreign exchange losses for the Group.

Group 2011	Balance \$000	10% strengthening against \$000	10% weakening against \$000
Swiss Franc	(267)	(27)	27
British Pound	(2,184)	(218)	218
Danish Kroner	(381)	(38)	38
US Dollar	(225)	(23)	23
	(3,057)	(306)	306

Notes to the financial statements (continued)

Year ended 28 February 2011

26. Financial instruments (continued)

Foreign currency risk (continued)

Group 2010	Balance \$000	10% strengthening against \$000	10% weakening against \$000
Swiss Franc	(92)	(9)	9
British Pound	(2,393)	(239)	239
US Dollar	(552)	(55)	55
	(3,037)	(303)	303

Commodity price risk

Commodity price risk is the risk that the Group's future earnings will be affected by changes in the market prices of commodities, in particular zinc, lead, silver and gold. As operations at the Company's Black Angel mine are still primarily in the area of exploration or development, results to date are not impacted by movements in commodity prices. However, The Group closely monitors the prices of these commodities and will consider the use of hedging contracts, where appropriate, in the future.

Liquidity risk

Liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. Management reviews cash flow forecasts on a regular basis to determine whether the Group has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities. Further information relevant to liquidity risk management is included in note 1a.

The contractual maturity analysis of financial liabilities is shown below:

Group 2011	Due in less than 1 month \$000	Due between 3 months and 1 year \$000	Due between 1 and 5 years \$000	Total \$000
Trade and other payables	7,769	-	-	7,769
Current borrowings	-	21,848	-	21,848
Non-current borrowings	-	-	7,190	7,190
	7,769	21,848	7,190	36,807

Group 2010	Due in less than 1 month \$000	Due between 3 months and 1 year \$000	Due between 1 and 5 years \$000	Total \$000
Trade and other payables	4,518	-	-	4,518
Current borrowings	-	14,298	-	14,298
Non-current borrowings	-	-	5,987	5,987
	4,518	14,298	5,987	24,803

Notes to the financial statements (continued)

Year ended 28 February 2011

27. Capital risk management

The Group's objective when managing capital is to ensure that adequate funding and resources are obtained to enable it to develop its projects through to profitable production, while in the meantime safeguarding the Group's ability to continue as a going concern. This is aimed at enabling it, once the projects come to fruition, to provide appropriate returns for shareholders and benefits for other stakeholders.

The Group manages the capital structure in the light of changes in economic conditions and risk characteristics of the underlying projects. Conditions attached to borrowings are monitored regularly in the light of management accounts. Capital will continue to be sourced from equity and from borrowings as appropriate.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 22, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained deficit as disclosed in the consolidated statement of changes in equity.

The gearing ratio (net debt to equity) is 2.22:1 at 28 February 2011 (2010: 2.13:1).

Debt is defined as borrowings, as detailed in note 22. Equity includes all capital and reserves of the Group attributable to equity holders of the parent.

Externally imposed capital requirement

The Group is not subject to externally imposed capital requirements.

28. Acquisitions and disposals

On 20 December 2009 the Company sold 49% of the shares in Greenland Resources Ltd ("GRL") for A\$50,000 and entered into a call and put option to sell the remaining shares for A\$1 on 31 December 2011. On 14 October 2010, the Company exercised its option to sell its remaining interest.

On 15 June 2010 the Company sold its shares in Orion Metals Ltd for A\$225,467 (see note 15).

29. Related party transactions

Remuneration to directors is disclosed in note 6.

Dan Bordessa, a non-executive director of the Company, is a consultant to Cyrus.

In August 2010, Cyrus agreed to capitalise any accrued interest due on that date on the loan and for repayment terms of the loan to be amended so that the loan was to be repaid by 31 December 2011.

Additionally, Cyrus will provide strategic advisory services to the Company in exchange for royalties. The Company entered into two royalty agreements during the year, under which Cyrus would receive a royalty of 2% and 3% of gold, zinc and lead sales. The 2% royalty would be over an agreed base cost of \$560 per ounce for gold and \$1,500 per ton for zinc and lead. The 3% royalty would be over an agreed base cost of \$500 per ounce for gold and \$1,250 per ton for zinc and lead. In the event of a change in control of the Company, the full royalty would accrue to Cyrus based on expected sales over the remaining life of the mine. The agreements and amendments were approved by shareholders at a general meeting held on 27 September 2010.

Loans to subsidiaries

Company	Loan \$000	Provision \$000	Net \$000
Balance at 28 February 2009	15,941	(535)	15,406
Amounts advanced to subsidiaries	12,822	-	12,822
Exchange difference	572	(36)	536
Balance at 28 February 2010	29,335	(571)	28,764
Amounts advanced to subsidiaries	18,346	-	18,346
Exchange difference	904	(26)	878
Balance at 28 February 2011	48,585	(597)	47,988

Notes to the financial statements (continued)

Year ended 28 February 2011

30. Post-balance sheet events

(i) Issue of new shares

On 23 March 2011, 12,229,423 new ordinary shares were issued to YA Global Master SPV at 4.09p per share being the eleventh SEDA draw down for £500,000.

On 6 April 2011, 153,996,951 new ordinary shares were issued to Socius at 4.38p following the exercise of warrants and options for consideration of \$10,800,000.

On 10 June 2011, 109,100,000 new ordinary shares were issued at 2.0p as the result of a private placing, raising £2,182,000.

On 27 July 2011, 50,000,000 new ordinary shares were issued at 2.0p as the result of a private placing, raising £1,000,000 (\$1,635,700).

(ii) Borrowings

The Company entered into a promissory note agreement with Yorkville on 27 July 2011. Under the terms of the promissory note, the Company can borrow up to a maximum of \$3,654,000 with the agreement of Yorkville. The promissory note can, at the Company's election, be repaid either out of cash resources or through the issue of advance notices under the SEDA. The promissory note bears interest at 4% per annum and is repayable in instalments, with the initial advance of \$1,350,000 repayable by the end of October 2011. Amounts of principal outstanding under the promissory note are convertible at the option of Yorkville into Ordinary Shares at 3p per share. The Company has not drawn down anything on that facility.

(iii) Share-based payment

On 19 May 2011, options over 12,500,000 new ordinary shares were awarded to employees. The options vest over two years and have an exercise price of 3.2p.

On 12 July 2011, options over 2,500,000 new ordinary shares were awarded to employees. The options vest over two years and have an exercise price of 3.0p.

31. Capital expenditure

Capital expenditure authorised, but not contracted for at the year end, amounted to \$nil (2010: \$nil).

32. Guarantees and contingencies

Mine closure guarantee

The Group maintains a security fund deposit which should be adequate to meet all anticipated costs of mine closure. The Company has also provided an unlimited guarantee to the BMP that it will meet any future costs that may arise, to repair environmental damage caused by mining activity.

There are no other fixed financial commitments within the terms of the Group's licenses.

Shareholder information

Year ended 28 February 2011

Website information

Shareholder information including press releases and links to the Company's various on-line services can be found on the Company's website at www.angelmining.com

Registered office and contact details

Please contact Nicholas Hall (Chief Executive Officer) at the registered office address below for enquiries of a general nature regarding the Company and for Investor Relations:

Angel Mining plc
6 Station Road,
Morton,
Bourne,
Lincolnshire,
PE10 0NN

Tel: +44 (0) 1778 570100

Fax: +44 (0) 1778 570100

Secretary

Ray Tong

Registrar

The Registrar should be notified in writing of changes to name or address and also for any enquiries relating to lost certificates or other enquiries relating to share registration at the address below:

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

Trading market

The trading market for the ordinary shares of 1p is the Alternative Investment Market under the symbol "ANGM".

The Company's share price can be found on the Company's website at www.angelmining.com, as well as on such sites as www.bloomberg.com, www.ft.com, www.hemscott.com and www.londonstockexchange.com. There is also a link from the Company's previous website www.angelmining.com. The share price is also quoted daily in several national newspapers.

