

30 November 2011

**Angel Mining plc**  
**(“Angel Mining” or the “Company”)**

**Un-audited financial information**  
**for the six months ended**  
**31 August 2011**

The Directors of Angel Mining, the Greenland-focused mining and exploration company, are pleased to be able to report the Company’s unaudited interim results for the six months ended 31 August 2011.

**Highlights**

The Company recorded a loss of \$1,654,000 for the period and has seen the following substantial developments during the first six months of the current year:

- completion of the processing plant at Nalunaq;
- commencement of gold production and first gold sales;
- the raising of \$12,256,000 via the Standby Equity Distribution Agreement (“SEDA”) and promissory note facilities with YA Global Masters SPV (“Yorkville”), the medium term note facility with Socius CG II Ltd (“Socius”); and via the placing of new shares; and
- further planning and development work at the Black Angel mine.

Since the end of the period under review, the Company has also:

- raised an additional \$2,724,000 via a placing of new shares and an additional drawdown on the promissory note with Yorkville.

Commodity prices have been volatile during the period under review. The table below sets out the changes in prices for the metals in which the Company has interests since the start of the fiscal year.

	1 March 2011	31 August 2011		28 November 2011	
	Price (\$)	Price (\$)	Change <sup>(1)</sup>	Price (\$)	Change <sup>(1)</sup>
Gold (oz)	1,415	1,824	+28.9%	1,706	+20.6%
Zinc (tonne)	2,503	2,285	-8.7%	1,926	-23.1%
Lead (tonne)	2,526	2,545	+0.8%	2,004	-20.7%

Source: Bloomberg

Note: <sup>(1)</sup> change in price in each case compared to 1 March 2011

**FINANCIAL RESULTS**

The loss for the period amounts to \$1,654,000 million compared to a loss of \$2,625,000 for the same period last year. At 31 August 2011, the Company’s cash and bank balances amounted to \$252,000 compared to \$571,000 at 31 August 2010. It is worth noting, however, that the figures for the six months ended 31 August 2011 have been flattered by the impact of the accounting treatment of the Company’s Joint Ownership Share Plan (“JSOP”) equity incentive scheme. As a result of the significant drop in the Company’s share price and a change in the fair value of the associated JSOP liability, there was a positive impact of \$834,000 on the profit and loss statement.

The Directors have set a production target of 2,000 ounces of doré per month but the latest assessment is that the optimum achievable production may be marginally lower than this figure but this full scale production is expected to be achieved in Q1 2012. Although the Company is now producing and selling gold on a regular basis, for accounting purposes it has not yet reached ‘commercial production’. In keeping with IFRS guidance and normal practice for companies within the mining sector, the Company will commence commercial production when it first achieves 70% of its monthly production target (i.e. 1,400 ounces in a single month).

Until this milestone has been reached, the process plant at Nalunaq is still considered to be under construction. Costs incurred up to the point of commercial production will continue to be capitalised. Revenue realised during the period will be treated in the same fashion. For this reason, no revenue from gold

sales or costs of production have been recognised in the income statement during the six months ended 31 August 2011.

## **OPERATIONS**

### **Nalunaq**

Significant progress has been made at Nalunaq during the six months ended 31 August 2011. On 31 May 2011, we announced that we had poured our first doré bar. Prior to this, the Company had encountered a number of problems with the design and construction of the process plant. This had a significant impact on the timing of our first gold pour. It took several months to correct many of these issues and work to improve the operational efficiency of the plant is still ongoing.

The table below sets out the production and sales data for Nalunaq from the first gold pour up to the date of this announcement.

Doré produced (kilograms)	61.6
Doré shipped (kilograms)	61.6
Gold recovered (ounces)	1,512
Gold content of doré (%)	89.6%
Gold sold (ounces)	1,512
Average gold price achieved (per ounce)	\$1,703
Silver recovered (ounces)	179
Silver content of doré (%)	8.3%
Silver sold (ounces)	179
Average silver price achieved (per ounce)	\$31.77

The team on site is now concentrating their efforts on increasing the rate of ore production and improving recovery from the process plant. We are looking at removing some of the pillars left behind by the previous operator of the mine as some of these pillars contain significant amounts of gold. We have developed a new mining plan which includes the pillar removal and have engaged Golders Associates to perform a risk analysis of the plan. The Golders report will be used to support our application to the Bureau of Minerals and Petroleum ("BMP") to remove the pillars. We would expect a response from the BMP to our application early in 2012.

In October, a new atomic absorption machine arrived at site which enables the team to accurately measure the plant performance and to take steps to improve the recovery of gold. The process plant has been recovering between 60% and 70% of the gold from the input material. Knowing that this was the case, the team has been feeding lower grade ore into the plant until recovery could be improved. Our target for recovery is circa 90%. To achieve this, one of the things we will need to do is to reduce the grind size down from 100 microns to 80 microns which will require more residency time in the ball mill.

### **Black Angel**

We have made significant progress in the completion of the cable car at Black Angel this year. Our local contractor, EMJ, have completed the construction of the upper terminal. Garaventa have installed and tensioned the four cables. An independent rock mechanic inspected the portals and cable car anchor points and confirmed that they are all in good condition.

All contractors have now left site leaving only a skeleton crew on site for the winter period. The fjord has already frozen over, which is very early, and it is likely that it will be inaccessible by ships until Q2 2012. At that time, Garaventa will return to complete the commissioning of the cable car and, subject to the availability of project finance, construction work will start towards the development of the mine and the process plant.

Work is continuing on the development of the definitive feasibility study but significant progress has been made towards reducing both capital expenditure and operating expenditure.

## **FINANCE**

Every effort is being made to accelerate production of gold at Nalunaq to improve cash flow. Currently, the Company is meeting its ongoing operating costs but there is a backlog of creditors who need to be paid as quickly as possible.

Due to the recent volatility in the price of gold, the Company has fixed the price at which it will sell approximately 60% of its anticipated production over the next three months at a price of \$1,768 per ounce.

The Directors believe that the importance of avoiding the potential downside of a temporary drop in the gold price made this the prudent thing to do.

Discussions are ongoing with Cyrus Capital Partners with regard to the renegotiation of the short term debt repayment terms. Cyrus is our largest stakeholder and a long-term investor in the business. We anticipate that they will play a significant role in the financing of the construction of Black Angel.

### **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.

### **New 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. See Post Balance Sheet Events below for subsequent changes in the repayment terms of this note.

### **Share based payments**

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.

## **POST BALANCE SHEET EVENTS**

### **Issues of new shares**

On 3 October 2011, 75,000,000 new ordinary shares were issued at 1.6p as the result of a private placing, raising £1,200,000 (\$1,869,120).

On 25 November 2011, 25,000,000 new ordinary shares were issued at 1.37p as part of the Yorkville refinancing detailed below.

### **New borrowings**

On 16 September 2011, the Company drew down an additional \$855,000 on the promissory note. This advance is repayable in instalments, with this second advance of \$855,000 repayable by the end of January 2012.

On 25 November 2011, the Company announced that it had reached an agreement to reschedule the repayment of both the first and second tranches of the promissory note. Under the terms of this agreement, the Company issued 25,000,000 shares to Yorkville at 1.37p which was a 5.4% premium to the previous day's closing market price of 1.3p. These shares, with an aggregate value of \$536,013, were taken as part payment of the outstanding balance on the promissory note plus accrued interest. The repayment schedule for the remaining outstanding balance of \$1,355,385 was extended so that the Company is now obliged to make a series of payments which will equal this amount commencing in March 2012 and ending in September 2012. This agreement is subject to the Company reaching agreement with Cyrus by 11 December 2011 to extend the repayment date of the short term loan to a date no earlier than 1 October 2012.

### **GOING CONCERN**

The Directors have prepared the financial information on a 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;
- being able to draw down fully on the SEDA and Socius facilities;
- having the ability to raise new finance; and
- being able to achieve target production at the Nalunaq gold mine in Q1 2012.

New finance will also be required to implement the planned redevelopment of the Black Angel zinc/lead mine. This is discussed further in Note 1 to the financial information.

### **OUTLOOK**

Looking forward, Angel Mining's first priority is to increase the rate of cash generation and profitability at Nalunaq. The second priority is to raise the project finance for the development of the Black Angel which is planned to be in production in 2013.

There is a significant amount of work to be completed to achieve these goals but the Company is building a team of experienced mining professionals who are determined to achieve these important targets.

Frank Chapman  
CHAIRMAN

### **Enquiries:**

Angel Mining plc  
Nicholas Hall, Chief Executive Officer 07931 709 053  
Kevin McNair, Chief Financial Officer 07900 690 908

Fox-Davies Capital (Nominated Adviser and Broker)  
Simon Leathers 0203 463 5000  
Daniel Fox-Davies

Bishopsgate Communications Limited  
Nick Rome/Shabnam Bashir 0207 562 3350



# Consolidated information of comprehensive income

Six months ended 31 August 2011

	<b>6 months ended 31 Aug. 2011 Unaudited \$000</b>	6 months ended 31 Aug, 2010 Unaudited \$000	12 months ended 28 Feb, 2011 Audited \$000
<b>Continuing operations</b>			
Other operating costs	407	(966)	(3,384)
<b>Operating loss</b>	<b>407</b>	<b>(966)</b>	<b>(3,384)</b>
Finance costs	(2,144)	(1,672)	(4,444)
Finance income	83	-	42
Gain on sale of assets held for trading	-	13	-
Change in fair value of assets held for trading	-	-	13
<b>Loss before tax</b>	<b>(1,654)</b>	<b>(2,625)</b>	<b>(7,773)</b>
Taxation	-	-	-
<b>Retained loss for the period</b>	<b>(1,654)</b>	<b>(2,625)</b>	<b>(7,773)</b>
<b>Other comprehensive income for the year</b>			
Exchange translation difference on foreign operations	30	(286)	339
<b>Total comprehensive income for the year attributable to ordinary equity holders of the company</b>	<b>(1,624)</b>	<b>(2,911)</b>	<b>(7,434)</b>
<b>Earnings/(loss) per share (cents)</b>			
Basic	(0.24)	(0.93)	(2.11)
Diluted	(0.24)	(0.93)	(2.11)

# Consolidated information of financial position

As at 31 August 2011

	6 months ended 31 Aug. 2011 Unaudited \$000	6 months ended 31 Aug, 2010 Unaudited \$000	12 months ended 28 Feb, 2011 Audited \$000
<b>Non-current assets</b>			
Property, plant and equipment	60,592	40,770	48,297
Investments in subsidiaries	-	-	-
Investments accounted for using the equity method	-	-	-
Rehabilitation asset	4,640	4,082	4,414
	<b>65,232</b>	<b>44,852</b>	<b>52,711</b>
<b>Current assets</b>			
Inventories	2,430	630	862
Trade and other receivables	328	363	137
Promissory note receivable	4,104	-	-
Other financial asset	1,219	251	1,260
Cash and cash equivalents	252	571	441
	<b>8,333</b>	<b>1,815</b>	<b>2,700</b>
<b>Current liabilities</b>			
Trade and other payables	(10,903)	(4,962)	(7,769)
Current borrowings	(23,198)	(20,698)	(21,848)
Current provisions	(471)	(2,239)	(1,333)
	<b>(34,572)</b>	<b>(27,899)</b>	<b>(30,950)</b>
Net current (liabilities)/assets	<b>(26,239)</b>	<b>(26,084)</b>	<b>(28,250)</b>
Total assets less current liabilities	<b>38,993</b>	<b>18,769</b>	<b>24,461</b>
<b>Non-current liabilities</b>			
Non-current borrowings	(7,526)	(5,987)	(7,190)
Non-current provisions	(4,425)	(4,082)	(4,938)
	<b>(11,951)</b>	<b>(10,069)</b>	<b>(11,588)</b>
<b>Net assets</b>	<b>27,043</b>	<b>8,700</b>	<b>12,873</b>
<b>Capital and reserves</b>			
Share capital	13,277	5,603	8,052
Share premium	49,219	32,618	39,455
Own shares held by EBT	(2,568)	(2,568)	(2,568)
Convertible borrowings – equity component	7,371	7,371	7,371
Translation reserve	(6)	(1,466)	(841)
Retained deficit	(40,250)	(32,858)	(38,596)
<b>Total equity</b>	<b>27,043</b>	<b>8,700</b>	<b>12,873</b>

# Consolidated information of changes in equity

Six months ended 31 August 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
<b>At 28 February 2010</b>	<b>5,208</b>	<b>30,657</b>	<b>(2,568)</b>	<b>7,371</b>	<b>(1,180)</b>	<b>(30,823)</b>	<b>8,665</b>	<b>8,665</b>
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
<b>At 28 February 2011</b>	<b>8,052</b>	<b>39,455</b>	<b>(2,568)</b>	<b>7,371</b>	<b>(841)</b>	<b>(38,596)</b>	<b>12,873</b>	<b>12,873</b>
Loss for the year	-	-	-	-	-	(1,654)	(1,654)	(1,654)
Shares issued	5,225	9,764	-	-	-	-	-	14,989
Exchange translation difference on foreign operations	-	-	-	-	835	-	-	835
<b>At 31 August 2010</b>	<b>13,277</b>	<b>49,219</b>	<b>(2,568)</b>	<b>7,371</b>	<b>(6)</b>	<b>(40,250)</b>	<b>27,043</b>	<b>27,043</b>

# Consolidated information of cashflow

Six months ended 31 August 2011

	<b>6 months ended 31 Aug. 2011 Unaudited \$000</b>	6 months ended 31 Aug, 2010 Unaudited \$000	12 months ended 28 Feb, 2011 Audited \$000
<b>Operating activities</b>			
(Loss)/profit before tax	(1,654)	(2,625)	(7,773)
Adjusted for:			
Depreciation of property, plant and equipment	-	2	4
Change in fair value of assets held for trading	-	-	(13)
Profit on part disposal of subsidiary	-	(14)	-
(Gain)/loss on disposal of property, plant and equipment	-	-	26
Finance income	(83)	-	(42)
Finance costs	2,144	1,672	4,444
(Increase)/decrease in inventories	(1,568)	220	(12)
(Decrease)/increase in trade and other receivables	(191)	499	725
Increase/(decrease) in trade and other payables	1,525	444	711
Share-based payments	(834)	954	298
<b>Cashflows from operating activities</b>	<b>(661)</b>	<b>1,153</b>	<b>(1,632)</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	(12,295)	(9,512)	(16,119)
Increase in other financial assets	-	-	(135)
Interest received	83	-	42
Proceeds from disposal of assets held for trading	-	14	197
<b>Cashflows from investing activities</b>	<b>(12,212)</b>	<b>(9,498)</b>	<b>(16,015)</b>
<b>Financing activities</b>			
Equity share capital subscription, net	6,031	1,365	6,418
New borrowings, net of costs	6,225	6,500	3,000
Repayments of borrowings	-	-	6,400
Interest paid	-	(111)	-
<b>Cashflows from financing activities</b>	<b>12,256</b>	<b>7,754</b>	<b>15,818</b>
Net increase/(decrease) in cash and cash equivalents	(617)	(591)	(1,829)
Cash and cash equivalents at start of year	441	1,823	1,823
Exchange movements	428	(661)	447
<b>Cash and cash equivalents at end of year</b>	<b>252</b>	<b>571</b>	<b>441</b>

# Notes to the financial statements

Six months ended 31 August 2010

## 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 information are set out below.

## 1. Basis of preparation

The half-yearly financial information for the six months ended 31 August 2011 is unaudited and that for the equivalent period is also unaudited. The comparatives for the full year ended 28 February 2011 are not the Group's full statutory accounts for that year. The financial statements for the year ended 28 February 2011 contained an unqualified auditors' report in accordance with s235 of the Companies Act 1985. However, the auditor's report did contain a paragraph entitled "Emphasis of matter – Going concern" which made reference to the accounting policy regarding going concern and the existence of a material uncertainty.

The half-yearly financial information was approved by the board on 30 November 2011.

The annual financial statements of Angel Mining plc for the year ended 28 February 2012 will be prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. Accordingly the half-yearly financial information has been prepared using accounting policies consistent with those which will be adopted by the group in the financial statements.

## Going concern

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 up to target 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 subsequent gold sales. Based on the current plan for exploiting the resource at Nalunaq, 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, July and October 2011;
- further draw downs on the Socius and Yorkville facilities 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 interim financial information. 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.

## 2. Accounting policies

All accounting policies are the same as those reported in the annual financial statements for the year ended 28 February 2011.

The Directors have set a production target of 2,000 ounces of doré per month which they expect to achieve in Q1 2012. Although the Company is now producing and selling gold on a regular basis, for accounting purposes it has not reached 'commercial production'. In keeping with IFRS guidance and normal practice for companies within the mining sector, the Company will commence commercial production when it first achieves 70% of its monthly production target. Until this milestone has been reached, the process plant at Nalunaq is still considered under construction. Costs incurred up to the point of commercial production will continue to be capitalised. Revenue realised during the period will be treated in the same fashion. For this reason, no revenue from gold sales or costs of production have been recognised in the income statement during the six months ended 31 August 2011.

### 3. Earnings/(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.

	<b>6 months ended 31 Aug. 2011 Unaudited</b>	6 months ended 31 Aug, 2010 Unaudited	12 months ended 28 Feb, 2011 Audited
Profit attributable to equity holders of the parent (\$000)			
Weighted average number of shares – basic	<b>681,069,135</b>	312,685,015	367,913,632
Weighted average number of shares – diluted	<b>681,069,135</b>	312,685,015	367,913,632
<b>Earnings/(loss) per share (cents)</b>			
Basic	<b>(0.24)</b>	(0.65)	(2.11)
Diluted	<b>(0.24)</b>	(0.65)	(2.11)

In the periods where the Group has made a loss, share options were anti-dilutive and have not been included in the fully diluted loss per share calculation.

### 4. Borrowings

	<b>6 months ended 31 Aug. 2011 Unaudited \$000</b>	6 months ended 31 Aug, 2010 Unaudited \$000	12 months ended 28 Feb, 2011 Audited \$000
Current borrowings	<b>23,198</b>	20,698	21,848
Non-current borrowings	<b>7,526</b>	5,987	7,190

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 terms of this promissory note were subsequently changed as set out below under Post Balance Sheet Events.

### 5. Share capital

#### Ordinary shares

	<b>Shares</b>			<b>£</b>		
	<b>6 months ended 31 Aug. 2011 (000,000)</b>	6 months ended 31 Aug, 2010 (000,000)	12 months ended 28 Feb, 2011 (000,000)	<b>6 months ended 31 Aug. 2011 (000)</b>	6 months ended 31 Aug, 2010 (000)	12 months ended 28 Feb, 2011 (000)
<b>Authorised</b>						
At beginning of period	<b>5,172</b>	2,000	2,000	<b>51,720</b>	20,000	20,000
Increased in period	-	-	3,172	-	-	31,720
At end of period	<b>5,172</b>	2,000	5,172	<b>51,720</b>	20,000	51,720

	<b>Shares</b>		
	<b>6 months ended 31 Aug. 2011 (000)</b>	6 months ended 31 Aug, 2010 (000)	12 months ended 28 Feb, 2011 (000)
<b>Issued</b>			
At beginning of period	<b>478,326</b>	212,016	297,489
Issued in period	<b>325,327</b>	35,287	180,837
At end of period	<b>803,653</b>	247,303	478,326

The Company also has 1 'B share' of £1.00 which was issued on 21 August 2009 as a result of the conversion of the original Cyrus loan into a convertible loan note. The B share has voting rights equivalent to 577,275,625 ordinary shares.

#### Issue of new shares

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.

#### **Equity drawdown facility**

On 25 April 2009, the Company entered into a Structured Equity Drawdown Agreement (“SEDA”) with Yorkville; the agreement provides the Company with a £5 million equity drawdown facility. This facility expired on 26 June 2009.

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

On 27 July 2011, the Company entered into a new SEDA with Yorkville. The agreement provides the Company with a £10 million equity drawdown facility and will expire on 27 July 2013.

#### **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.

### **6. Post balance sheet events**

#### **Issues of new shares**

On 3 October 2011, 75,000,000 new ordinary shares were issued at 1.6p as the result of a private placing, raising £1,200,000 (\$1,869,120).

On 25 November 2011, 25,000,000 new ordinary shares were issued at 1.37p as part of the Yorkville refinancing detailed under “New borrowings” below.

#### **New borrowings**

On 16 September 2011, the Company drew down an additional \$855,000 on the promissory note with Yorkville. This advance was repayable in instalments by the end of January 2012.

On 25 November 2011, the Company announced that it had reached an agreement to reschedule the repayment of both the first and second tranches of the promissory note. Under the terms of this agreement, the Company issued 25,000,000 shares to Yorkville at 1.37p which was a 5.4% premium to the previous day's closing market price of 1.3p. These shares, with an aggregate value of \$536,013, were taken as part payment of the outstanding balance on the promissory note plus accrued interest. The repayment schedule for the remaining outstanding balance of \$1,355,385 was extended so that the Company is now obliged to make a series of payments which will equal this amount commencing in March 2012 and ending in September 2012. This agreement is subject to the Company reaching agreement with Cyrus by 11 December 2011 to extend the repayment date of the short term loan to a date no earlier than 1 October 2012.