

**Angel Mining plc**  
**("Angel Mining" or the "Company")**

**Final Results**  
**for the Twelve Months Ended 28 February 2009**

**Chief Executive Officer's Report**

**INTRODUCTION**

The world banking crisis and declining commodity prices during 2008 made it impossible for the Company to secure funding for the development of the Black Angel mine in Greenland. In late August of that year, we decided to put the mine on care and maintenance and to concentrate on developing a survival plan. We had approximately £1 million of cash left and we had to reduce our cost base to the minimum possible. We closed our head office, made loyal staff redundant and prepared for 'hibernation'. We were helped by a number of volunteers, who selflessly left the company at this time, including our non-executive directors and our founder Robin Andrews. Executive director Andrew Zemek also resigned at about the same time, ultimately leaving the Company in June this year.

In May 2008, the Group received the exploitation mining licence for Black Angel from the Government of Greenland.

In December 2008, the price of zinc and lead fell below the cash production cost of a significant number of world producers and many mines cut back output or closed. Our exploration projects in Brazil and Greenland were demanding finance that we could not raise and it was evident that we would not be able to repay the loan for which Cyrus Capital Partners, LP ("Cyrus") is Agent on the due date in July 2010, other than by way of a re-financing. With financial markets in such turmoil, the future looked very bleak.

As we entered 2009, we were able to announce an off-take agreement with MRI Trading AG ("MRI") for the life of mine production of zinc and lead concentrates from the Black Angel. The agreement entitles us to sell concentrates to MRI as produced, rather than as delivered, and the arrangement will therefore be a valuable source of working capital finance.

We had been progressing discussions with Cyrus and we had a basic understanding that we should try to work out a means by which their loan of \$12.5 million could be converted into equity.

At about the same time we also met with Crew Gold Corporation ("Crew") which was planning to close its Nalunaq gold mine in the south of Greenland. Our initial discussions developed and by April 2009 we had agreed terms to acquire the mine.

Based on the opportunity to acquire Nalunaq, in May we were able to raise additional new equity of £5.6 million, £5 million of which is a Standby Equity Distribution Agreement ("SEDA") with YA Global Master SPV, Limited.

The combination of these events persuaded us that we should become totally focused on mining and that we should concentrate on such opportunities in Greenland, where we already had a notable presence and established relationships.

**FINANCIAL RESULTS**

The loss for the year amounted to £1,510,461 (2008: £4,169,654) following the reversal of impairment provisions of £3,211,152 relating to exploration costs at Black Angel. In previous years, a full impairment provision has been made against the costs but this provision is no longer required as the Group received the mining license at Black Angel and can demonstrate that the investment will be recovered over the life of the mine.

**EVENTS OCCURRING SUBSEQUENT TO THE PERIOD END**

**A New Beginning and a New Name**

At a general meeting of shareholders held on 21 August 2009 it was agreed that our name should be changed to Angel Mining plc. The Company has, hitherto, been known as an exploration company but we are now focused on creating shareholder value through mining as the new name clearly implies and the name 'Angel' is taken from the one asset that has, so far, secured our future.

**MINING OPERATIONS**

**The Black Angel**

Work is being undertaken this summer to build the structure of the lower cable car terminal and it is hoped that equipment currently stored in open top containers can be placed in a secure environment for next winter. The Company plans to recommence construction work next spring in preparation for mining in Q4 2010. However, this is likely to require an investment of approximately US\$60 million to pay for capital expenditure of US\$54 million and US\$6 million of pre-production operating costs.

**Nalunaq**

The gold mine assets were acquired on 30 June 2009 for US\$1 million from Crew, by Angel Mining (Gold) A/S ("AMGAS"), a newly incorporated and wholly-owned subsidiary of Angel, registered in Greenland. A further US\$500,000 is payable 10 days after the receipt of formal approval of the Greenlandic and Danish governments.

The assets acquired include mining and exploration licences, mining equipment, a fully operational mine camp and a ship loading harbour facility, all located at the mine, close to the town of Nanortalik at the southern tip of Greenland. When the deferred payment of US\$500,000 is made, the environmental bond of 16 million Danish Kroner ("DKK"), (approximately US\$2.87 million),

will be transferred into the name of AMGAS. The bond is expected to be sufficient for all anticipated mine closure liabilities. AMGAS did not take on any other liability or debt and has no inherited contractual obligations.

Crew completed more than 19,000 metres of tunnelling and over 30,000 metres of diamond drilling. The deposit is 'nuggety' and establishing a Joint Ore Reserves Committee (JORC) standard resource is therefore difficult. From mid-2004 to the end of 2008 the mine produced approximately 308,000 ounces of gold and the average grade delivered to the process plant was approximately 14 grams per tonne.

Crew reported losses in each of the years that the mine was operational. Its latest audited accounts for the year to 31 December 2007 recorded a loss before tax of approximately DKK95 million (US\$ 17 million). It experienced high operating costs primarily due to the fact that it transported mine ore to Newfoundland to be processed.

We believe that the mine can be operated profitably by adopting a mining method that will enable it to employ predominately local labour and by building a process plant inside the mine. Since acquisition we have refurbished every piece of mining equipment and we are currently preparing the underground chamber to house the process plant. We hope to produce our first gold/silver doré bar before the end of the year. This will be achieved by using only the gravity separation part of the plant, which should be capable of delivering approximately 50% of the recoverable gold. Once permits are in place, we will use a cyanide circuit, which is expected to increase recovery to over 90%.

We announced our agreement to buy Nalunaq last April. At that time, our plan had been to recommence production during the summer and produce a simple concentrated product for shipment to Crew's processing plant in Newfoundland. We were then going to build a processing plant inside the mine, towards the end of our first year but Crew were unable to make the processing facility available to us which meant that we had to modify our plans. We decided that the best solution was to delay the commencement of mining and to advance the construction of the on site processing plant. This has increased the capital expenditure requirements from US\$7.9 million to US\$9.3 million but has enabled us to reduce the average operating cost per ounce from US\$600 to US\$560. We had identified a used plant in the Yukon and had based our initial production estimate of 35,000 ounces a year on that and the Crew plant in Newfoundland. Unfortunately, there were environmental problems with the Yukon plant and we decided that it would be better to source the components and build our bespoke plant. This has resulted in us reducing the expected throughput rates such that our projected output is now 30,000 ounces per year.

The lack of a JORC standard resource statement makes it difficult to predict the life of the mine but we are confident that we will recover a minimum of 100,000 ounces and potentially much more.

## **EXPLORATION**

The Company is directing all investment into mining projects and is planning to divest or abandon all exploration projects. Exploration activity in the foreseeable future will be focussed, if incurred at all, on extending the life of existing mines.

### **St. Andrews Mining Ltd**

The 64% owned subsidiary had a series of exploration projects in Brazil, none of which had any proven viability. Further investment may have established an economic mineable resource but it was prevented by the terms of the loan agreement with Cyrus. The Brazilian Chairman (and acting General Manager) made a series of personal loans to maintain exploration activity for as long as possible and he had a floating charge over the Group's Brazilian assets. Unsuccessful efforts were made to sell the projects and at the point of insolvency, in March 2009, it was decided to wind up the affairs of St. Andrews Mining Ltd and the former Chairman took the remaining assets in settlement of his loans.

### **Motzfeldt**

This exploration project in Greenland is in its 9<sup>th</sup> year and the annual exploration minimum funding commitment is escalating. The site is known to have various rare earth metals including tantalum and niobium. Efforts are being made to find a strategic partner.

### **Orion Metals Ltd (formerly Queensland Gold & Minerals Ltd)**

This ASX listed company obtained new investment of A\$57,569 from Metallica Minerals Ltd in November 2008. On 23 June 2009 it was also announced that Newmont Exploration Pty Ltd will fund exploration of the Bald Mountain Gold Project by spending A\$2 million over a period of 4 years in exchange for 70% of the project equity. On 4 August 2009, the company changed its name to Orion Metals Ltd. The Angel investment of 14,666,667 shares was reduced on 31 July 2009 to 3,666,666 shares, following a 1 for 4 consolidation and represents 14.85% of the total issued capital. At 24 August 2009, the market value was quoted as being A\$ 0.125 per share, making our investment worth approximately £225,000 (A\$458,333). Post year end, the Group holds the shares as a trade investment which it will divest itself of at the appropriate time.

## **CYRUS**

Cyrus and related entities continue to provide the Company with essential support.

### **Short-Term Loans**

Cyrus provided a short term loan of US\$1 million in May 2008 to fund an increase in the mine closure security fund deposit, which enabled the mining licence to be secured. The loan was subsequently repaid approximately two months later, out of an equity placing in the following July.

#### *Conversion of Loan to Equity*

As announced on 11 May 2009, Cyrus has agreed to refinance its US\$12.5 million loan on the basis that FBC S.à.r.l. ("FBC") an affiliate of Cyrus will subscribe for Convertible Interest Free Loan Notes and a B Share in exchange for the cancellation of the Cyrus Loan and the Warrants. On 21 August 2009, shareholders approved the refinancing and the agreement was concluded.

The Convertible Interest Free Loan Notes are convertible at any time, but not later than 31 December 2012, by FBC, into 577,275,643 Ordinary Shares. The Loan Notes will have the benefit of the same security as the Cyrus Loan until the Company secures bank 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.

The B share provides FBC with the same voting rights at general meetings of the Company as if they had exercised their conversion rights. Based on the number of shares in issue at 21 August 2009, FBC would have 70.1% of all voting rights.

#### *Management and Corporate Governance*

Under the terms of the Convertible Interest Free Loan Notes, FBC has the right to approve the appointment of 3 directors and can limit the total number of director appointments to 6. They have approved the appointment of Dan Bordessa, who is a Managing Director at Cyrus, as a non-executive director of the Company and also Frank Chapman and Nicholas Hall as non-executive Chairman and Chief Executive Officer, respectively.

#### **FINANCE**

Through a placing of 30 million shares, in May 2009, the Company raised £600,000 at 2p per share. The Company also entered into a £5 million SEDA and has the option to draw down on this facility in accordance with a formula based on the price at which shares have traded during the period immediately prior to draw down, and the volume of trading in the Company's shares. Draw downs can be made at any time but not more frequently than once every 2 weeks until 26 June 2011. The facility can be terminated if the Company's shares are suspended from trading but although the Company's shares were suspended from trading on 28 August 2009, the facility has not been terminated at the date of this announcement.

#### **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 facility;
- having the ability to raise new finance; and
- being able to bring the Nalunaq gold mine into production.

This is discussed further in note 1a.

#### **PEOPLE**

I would like to express my considerable appreciation to the staff and directors who left the Company as part of the survival plan, with particular thanks to Robin Andrews, our founder, who was responsible for acquiring our prime asset, the Black Angel. Andrew Zemek contributed substantially to the management of Black Angel exploration and pioneered our excellent relations with the Greenlandic authorities; hopefully we will work with him again, possibly in a consultancy capacity. Finally I would like to express my appreciation for the wise council of our former non-executive directors Chris Innis and Tom Elder.

The executive team was reduced to me, Tim Daffern and Paul Williams. Tim has reacted to the challenge of falling commodity prices by developing imaginative plans, which will greatly enhance the operational efficiency and profit potential of our mine plans. Thanks to this work we believe we have a first class case for raising the finance needed to build the mines. He has been ably supported by Dr Bob Dowdell and Peter Watkinson plus the specialist consultants at SGS Mineral Services, and Golders Pastec (Europe).

#### **NEW WEBSITE**

A new website has been created at [www.angelmining.com](http://www.angelmining.com) which we will use to improve general communications but especially communications for shareholders and potential investors. There will be regular updates on the development progress at both sites, news of key events in Greenland, profiles of employees, details of employment opportunities plus all of the information required by AIM of financial statements, news releases, etc. Feedback comments and ideas on how we can make continuous improvements will be much appreciated.

In future our annual Report and Accounts will be presented in plain form, similar to this year, as the website will provide detailed information about our operations including regular progress reports, photographs and plans.

## DELAYED RELEASE OF AUDITED FINANCIAL STATEMENT

I particularly regret the fact that we were unable to release our results before the deadline set by AIM requirements. In accordance with AIM rules our shares have been temporarily suspended from trading. I fear that we paid the penalty for reducing our team to the minimum, as part of our survival strategy, and then getting overtaken by developments before we had commenced rebuilding the administrative team. We appointed a finance manager for the Greenland based companies in June and other appointments are pending, which will ensure that we have sufficient resources to meet our growing needs and that such an occurrence will not happen again.

## THE FUTURE

We have a very clear objective which is to create shareholder value through the development of mining activities in Greenland.

Our first priority is to get Nalunaq into production this year, if possible, and then to build the mine and process plant at Black Angel so that it will be in production by the end of 2010. After that we look forward to developing other mining and mine related opportunities in Greenland.

We have found ourselves with a wonderful opportunity to grow and create real value, which, with the continued support of Cyrus and our shareholders, I am confident that we can deliver.

NICHOLAS HALL  
Chief Executive Officer  
10 September 2009

Notice of the Annual General Meeting of the Company will be dispatched to shareholders today as part of the audited financial report and accounts. The documents will also be available on the Company's website – [www.angusandross.com](http://www.angusandross.com).

The Company's Annual General Meeting will be held at the offices of Davenport Lyons, 30 Old Burlington Street, London W1S 3NL on 9 October 2009 at 10.00 a.m..

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# Consolidated income statement

Year ended 28 February 2009

	Notes	2009 £	2008 Restated* £
<b>Continuing operations</b>			
Reversal of impairment/(impairment) of property, plant and equipment	13	3,136,998	(2,922,260)
Gain on part disposal of holding in subsidiary	25	268,000	824,950
Other operating costs		(1,498,326)	(1,539,693)
<b>Operating profit/(loss)</b>	5	<b>1,906,672</b>	<b>(3,637,003)</b>
Finance costs	8	(3,268,060)	(574,586)
Finance income	9	71,485	232,974
Share of loss of associate	15	(220,558)	(191,039)
<b>Loss before tax</b>		<b>(1,510,461)</b>	<b>(4,169,654)</b>
Taxation	10	—	—
<b>Loss for the year from continuing operations</b>		<b>(1,510,461)</b>	<b>(4,169,654)</b>
Attributable to:			
Equity holders of the parent		(1,510,461)	(4,169,654)
Minority interests		—	—
<b>Loss per share</b>			
Basic and diluted loss per share	11	<b>(0.80)p</b>	<b>(2.97)p</b>

\*For restatement see note 1c.

## Balance sheets

As at 28 February 2009

	Notes	Group		Company	
		2009 £	2008 £	2009 £	2008 £
<b>Non-current assets</b>					
Intangible assets	12	—	—	—	—
Property, plant and equipment	13	10,781,700	5,333,830	7,972	12,495
Investments in subsidiaries	14	—	—	6,714,235	—
Investments accounted for using the equity method	15	133,160	353,718	573,237	573,237
Rehabilitation security deposit	16	945,974	—	—	—
		<b>11,860,834</b>	<b>5,687,548</b>	<b>7,295,444</b>	<b>585,732</b>
<b>Current assets</b>					
Inventories		40,937	126,017	—	—
Trade and other receivables	17	38,372	199,088	10,841,380	5,124,932
Cash and cash equivalents		674,083	2,233,363	665,465	1,848,243
		<b>753,392</b>	<b>2,558,468</b>	<b>11,506,845</b>	<b>6,973,175</b>
<b>Current liabilities</b>					
Trade and other payables	18	(378,760)	(1,024,149)	(249,917)	(719,889)
Current borrowings	19	(8,196,603)	—	(8,196,603)	—
		<b>(8,575,363)</b>	<b>(1,024,149)</b>	<b>(8,446,520)</b>	<b>(719,889)</b>
<b>Net current (liabilities)/assets</b>		<b>(7,821,971)</b>	<b>1,534,319</b>	<b>3,060,325</b>	<b>6,253,286</b>
<b>Total assets less current liabilities</b>		<b>4,038,863</b>	<b>7,221,867</b>	<b>10,355,769</b>	<b>6,839,018</b>
<b>Non-current liabilities</b>					
Other payables	18	(334,339)	(356,430)	—	—
Non-current borrowings	19	—	(5,670,176)	—	(5,670,176)
Non-current provisions	20	(776,028)	(250,000)	—	—
		<b>(1,110,367)</b>	<b>(6,276,606)</b>	<b>—</b>	<b>(5,670,176)</b>
<b>Net assets</b>		<b>2,928,496</b>	<b>945,261</b>	<b>10,355,769</b>	<b>1,168,842</b>
<b>Equity</b>					
Share capital	21	2,120,162	1,413,772	2,120,162	1,413,772
Share premium		15,089,065	12,473,896	15,089,065	12,473,896
Translation reserve		(100,614)	(113,564)	—	—
Retained deficit		(14,180,117)	(12,828,843)	(6,853,458)	(12,718,826)
<b>Equity attributable to equity holders of the parent company</b>		<b>2,928,496</b>	<b>945,261</b>	<b>10,355,769</b>	<b>1,168,842</b>
Minority interests		—	—	—	—
<b>Total equity</b>		<b>2,928,496</b>	<b>945,261</b>	<b>10,355,769</b>	<b>1,168,842</b>

# Statements of changes in equity

Year ended 28 February 2009

## Group statement of changes in equity

	Ordinary share capital £	Share premium £	Translation reserve £	Retained deficit £	Equity attributable to equity holders of the parent £	Minority Interest Restated* £	Total Equity £
At 1 March 2007	1,387,772	11,990,417	47,625	(9,031,130)	4,394,684	—	4,394,684
Loss for the year (as restated)*	—	—	—	(4,169,654)	(4,169,654)	—	(4,169,654)
Shares issued	26,000	498,000	—	—	524,000	—	524,000
Costs of share issues	—	(14,521)	—	—	(14,521)	—	(14,521)
Share-based payments (note 22)	—	—	—	371,941	371,941	—	371,941
Exchange difference	—	—	(161,189)	—	(161,189)	—	(161,189)
At 29 February 2008	1,413,772	12,473,896	(113,564)	(12,828,843)	945,261	—	945,261
Loss for the year	—	—	—	(1,510,461)	(1,510,461)	—	(1,510,461)
Shares issued	706,390	2,825,560	—	—	3,531,950	—	3,531,950
Costs of share issues	—	(210,391)	—	—	(210,391)	—	(210,391)
Share-based payments (note 22)	—	—	—	159,187	159,187	—	159,187
Exchange difference	—	—	12,950	—	12,950	—	12,950
<b>Balance at 28 February 2009</b>	<b>2,120,162</b>	<b>15,089,065</b>	<b>(100,614)</b>	<b>(14,180,117)</b>	<b>2,928,496</b>	<b>—</b>	<b>2,928,496</b>

\*For restatement see note 1c.

## Company statement of changes in equity

	Ordinary share capital £	Share premium £	Retained deficit £	Total equity £
At 1 March 2007	1,387,772	11,990,417	(8,785,994)	4,592,195
Loss for the year	—	—	(4,304,773)	(4,304,773)
Shares issued	26,000	498,000	—	524,000
Costs of share issues	—	(14,521)	—	(14,521)
Share-based payments (note 22)	—	—	371,941	371,941
At 29 February 2008	1,413,772	12,473,896	(12,718,826)	1,168,842
Profit for the year	—	—	5,706,181	5,706,181
Shares issued	706,390	2,825,560	—	3,531,950
Costs of share issues	—	(210,391)	—	(210,391)
Share-based payments (note 22)	—	—	159,187	159,187
<b>Balance at 28 February 2009</b>	<b>2,120,162</b>	<b>15,089,065</b>	<b>(6,853,458)</b>	<b>10,355,769</b>

## Cash flow statements

Year ended 28 February 2009

	Group		Company	
	2009 £	2008 Restated* £	2009 £	2008 Restated* £
(Loss)/profit before tax	<b>(1,510,461)</b>	(4,169,654)	<b>5,706,181</b>	(4,304,773)
Adjusted for:				
Depreciation of property, plant and equipment	<b>65,084</b>	210,734	<b>7,788</b>	5,679
(Reversal of) /impairment of exploration and development costs, net	<b>(3,136,998)</b>	2,922,260	—	—
Share of loss of associate	<b>220,558</b>	191,039	—	—
Profit on part disposal of subsidiary	<b>(268,000)</b>	(824,950)	—	—
Finance income	<b>(71,485)</b>	(232,974)	<b>(71,463)</b>	(242,014)
Finance costs	<b>3,268,060</b>	574,586	<b>3,364,481</b>	574,586
Decrease/(increase) in inventories	<b>85,080</b>	(126,017)	—	—
Decrease/(increase) in trade and other receivables	<b>160,716</b>	196,833	<b>107,936</b>	202,538
(Decrease)/increase in trade and other payables	<b>(805,306)</b>	715,044	<b>(644,895)</b>	572,348
Share-based payments	<b>159,187</b>	371,941	<b>159,187</b>	371,941
(Reversal of) /provision against loan to subsidiaries, net	—	—	<b>(3,355,212)</b>	2,523,168
(Reversal of)/provision against investment in subsidiaries, net	—	—	<b>(6,614,235)</b>	500,050
<b>Net cash outflow from operating activities</b>	<b>(1,833,565)</b>	(171,158)	<b>(1,340,232)</b>	203,523
<b>Investing activities</b>				
Investment in subsidiaries	—	—	—	(500,050)
Loans to subsidiary companies	—	—	<b>(2,569,171)</b>	(7,281,901)
Purchase of property, plant and equipment	<b>(1,849,928)</b>	(8,155,563)	<b>(3,265)</b>	(3,993)
Interest received	<b>71,485</b>	232,974	<b>71,463</b>	242,014
Increase in rehabilitation security deposit	<b>(945,974)</b>	—	—	—
<b>Cash outflow from investing activities</b>	<b>(2,724,417)</b>	(7,922,589)	<b>(2,500,973)</b>	(7,543,930)
<b>Financing activities</b>				
Equity share capital subscription, net	<b>3,321,559</b>	509,479	<b>3,321,559</b>	509,479
New borrowings, net of costs	<b>842,955</b>	5,470,780	<b>842,955</b>	5,470,780
Repayments of borrowings	<b>(833,123)</b>	—	<b>(833,123)</b>	—
Proceeds of shares issued to minorities	<b>268,000</b>	824,950	—	—
Interest paid	<b>(767,494)</b>	(435,625)	<b>(767,494)</b>	(435,625)
<b>Cash flows from financing activities</b>	<b>2,831,897</b>	6,369,584	<b>2,563,897</b>	5,544,634
<b>Net decrease in cash and cash equivalents</b>	<b>(1,726,085)</b>	(1,724,163)	<b>(1,277,308)</b>	(1,795,773)
Cash and cash equivalents at start of year	<b>2,233,363</b>	3,957,526	<b>1,848,243</b>	3,644,016
Exchange movements	<b>166,805</b>	—	<b>94,530</b>	—
<b>Cash and cash equivalents at end of year</b>	<b>674,083</b>	2,233,363	<b>665,465</b>	1,848,243

\* For restatement see note 1c.

# Notes

Year ended 28 February 2009

## General information

Angel Mining plc ("Angel" or the "Company") is a company incorporated and domiciled in the United Kingdom.

The nature of the Group's operations and its principal activities are set out in the Directors' Report.

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

The financial information contained within this preliminary announcement for the years ended 28 February 2009 and 29 February 2008 does not represent statutory accounts within the meaning of Section 240 of the Companies Act 1985, but is derived from those accounts. Statutory accounts for the year ended 28 February 2009 will be delivered to the Registrar of Companies following the Company's Annual General Meeting in October 2009. The comparable financial information is based upon the statutory accounts for the year ended 29 February 2008, which have been delivered to the Registrar of Companies. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under Section 237(2) or (3) of the Companies Act 1985, but included a matter of emphasis in relation to the Group's ability to continue as a going concern (see note 1a below).

### 1. Basis of preparation

The financial information has been prepared in accordance with IFRS as adopted by the European Union.

The preparation of financial information in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial information. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial information are disclosed in note 3.

The financial information of the Group and Company has both been prepared on the historical cost basis.

#### 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 CEO's Report on pages 1 to 4. The financial position of the Group, its cash flows, liquidity position and borrowings and equity drawdown facility are also described in the CEO's Report on pages 1 to 4 and in the notes to the financial information. In addition, note 23 includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments, and its exposure to both credit and liquidity risks.

Capital market and economic conditions significantly deteriorated during the last financial year, although there has been some recovery in recent months. Also during the period, commodity prices, amongst them zinc and lead, fell sharply, however have since recovered more than double since their low point in December 2008. Commodity prices have a direct impact on the estimated future revenues and profitability of the Group.

During the year, there was a breach of a loan covenant associated with the Group's outstanding debt of \$12.5 million with Cyrus Capital Partners LP ("Cyrus") (see note 19). The Company continued to service the loan under its normal terms and there was no request from Cyrus for early settlement. However, as a result of the breach, the Group and Company have reclassified the loan, which had an original maturity of July 2010, as a current liability as at 28 February 2009.

Subsequent to year-end, the Company has re-negotiated the terms of the loan held with Cyrus (see note 26(viii)), including the conversion of the loan to convertible interest free loan notes held by FBC S.à.r.l. ("FBC") an affiliate of Cyrus, with voting rights which will be converted to shares in the Company on or before 31 December 2012 at the holders option. There are no principal repayments due on the loan and the renegotiation was committed on 21 August 2009. Also subsequent to year-end, the Company has raised £600,000 of capital and, on 25 April 2009, entered into a Structured Equity Drawdown Agreement (SEDA) with YA Globalmaster SPV Ltd, which provides the Company with a £5 million equity drawdown facility valid until 26 June 2011. The SEDA agreement is subject to covenants and contains a number of opt-out provisions. The facility can be terminated if the Company's shares are suspended from trading, as happened on 28 August 2009. After the suspension on the shares is lifted, the Company will apply to reopen SEDA.

Subsequent to year-end, the Company acquired the assets of Nalunq gold mine (see note 26(v)), which has proven reserves and, although not currently in production, is estimated to be able to commence operations by December 2009.

As described in the Directors' Report, the Company is in transition from being a non-trading exploration company to becoming a mining company with two high potential opportunities in Greenland, however, is estimated to require it still has several months of further development before it will be profitable and generate operating cashflows.

The Group has reported a loss for the year of £1,510,461. In addition, as at 28 February 2009, the Group had net current liabilities of £7,821,971. For the year ended 28 February 2009, the Group had cash outflows from operations of £1,926,178. The Group does not have formally committed funding to ensure that it can continue all of its operations as planned. Given the above, the Directors consider that the greatest risk facing the Group is the continuing support of the current lenders and the Group's ability to raise future funding. The ability to obtain further financing from support of Cyrus and the ongoing ability to draw down against the SEDA facility are important elements impacting the availability of cash.

Based on the survival programme implemented during the year, the Directors have instituted measures to conserve cash and are working to secure additional finance. Mine development plans are under constant scrutiny to find more cash efficient means of working and sourcing vital equipment but until the availability of cash can be seen to cover the anticipated needs to complete the development phase, there will be material uncertainties over future trading results and cash flows. Based on current negotiations and known potential sources of finance, the Directors have a reasonable expectation that they will achieve success and will be holding ongoing discussions with potential finance providers to secure sufficient financing for continuing operations and to finance further development.

For the purpose of their going concern assessment, the Directors have assumed that the Company will be able to obtain additional financing from Cyrus and FCB, and that it will continue to be able to draw down against the SEDA facility once its shares are again trading. It is possible however, that the additional funding may not be obtained and/or the existing facilities not maintained, or, even should such financing be received, the time taken to secure it could result in project completion delays.

The Directors have also assumed that it will be able to provide the capital investment necessary to begin production at the Nalung gold mine by December 2009, and have made further assumptions regarding the estimated production levels and gold prices once production commences.

The Directors have concluded that the combination of these circumstances described above represents a material uncertainty which may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it 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. For these reasons, they continue to adopt the going concern basis in preparing the financial information.

#### **b) Adoption of new and revised standards**

In the current year, two Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions* and IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The adoption of these Interpretations has not led to any changes in the Group's accounting policies.

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

IFRS 1 (amended)/IAS 27 (amended)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2 (amended)	Share-based Payment – Vesting Conditions and Cancellations
IFRS 3 (revised 2008)	Business Combinations
IFRS 8	Operating Segments
IAS 1 (revised 2007)	Presentation of Financial Statements
IAS 23 (revised 2007)	Borrowing Costs
IAS 27 (revised 2008)	Consolidated and Separate Financial Statements
IAS 32 (amended)/IAS 1 (amended)	Puttable Financial Instruments and Obligations Arising on Liquidation
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers
Improvements to IFRSs (May 2008)	

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial information of the Group except for:

- additional segment disclosures when IFRS 8 comes into effect for periods commencing on or after 1 January 2009;
- treatment of acquisition of subsidiaries when IFRS 3 comes into effect for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 July 2009; and
- borrowing costs will in future be required to be included in the cost of the fixed asset items that take a substantial period of time to get ready for use or sale.

#### **c) Restatements**

Certain prior year balances have been restated to correct for errors as described below:

(i) Comparatives balances related to the part disposal of St Andrews Mining Ltd ('SAM') have been restated to properly present the effect of changes in minority interest. Minority interest and goodwill recognised in the prior year has been reversed as no minority interest should have been recognised as a result of the partial disposal given that losses applicable to the minority in excess of the minority's interest in the subsidiary's equity should have been allocated against the interests of the Group.

(ii) Foreign exchange gains have also been restated in order to properly present them as finance costs. These were previously presented as operating costs in the previous year.

(iii) In addition, comparative balances presented in note 13, property, plant and equipment, have been restated in order to properly present the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) and to separate the cost of the decommissioning asset at the beginning and end of the period.

(iv) The diluted loss per share of 2.86p for the year ended 29 February 2008 has been restated to be 2.97p as the warrants and share options were anti-dilutive.

(v) In addition, Mine Development costs within Plant and Machinery have been re-classed to Exploration and Development costs in order to better reflect the nature of the costs being capitalized.

(vi) Comparatives balances of the Company's cash flow statement has been restated to properly present loans to subsidiary companies as investing activities.

These restatements have no impact on the net assets of the Company or Group or the loss attributable to the equity holders of the parent for the financial year.

A summary of the adjustments made to restate the prior year financial information is as follows:

#### Consolidated income statement

	Gain on part disposal of holding in subsidiary £	Impairment of goodwill £	Other operating costs £	Finance costs £	Loss for the year from year continuing operations £	Loss for the year attributable to minority interest £
Year ended 29 February 2008 as previously stated	761,936	(26,545)	(1,479,257)	(635,022)	(4,259,213)	(89,559)
Reversal of minority interest and goodwill (i)	63,014	26,545	—	—	89,559	(89,559)
Presentation of foreign exchange gains as finance costs (ii)	—	—	(60,436)	60,436	—	—
<b>Year ended 29 February 2008 as restated</b>	<b>824,950</b>	<b>—</b>	<b>(1,539,693)</b>	<b>(574,586)</b>	<b>(4,169,654)</b>	<b>—</b>

#### Consolidated cash flow statement - Group

	Net cash outflow from operating activities £	Cash flows from investing activities £
Year ended 29 February 2008 as previously stated	(3,093,418)	(5,000,329)
Presentation of property plant and equipment on a gross basis (iii)	2,922,260	(2,922,260)
<b>Year ended 29 February 2008 as restated</b>	<b>(171,158)</b>	<b>(7,992,589)</b>

#### Consolidated cash flow statement - Company

	Net cash outflow from operating activities £	Cash flows from investing activities £
Year ended 29 February 2008 as previously stated	(7,078,378)	(262,029)
Presentation of loan to subsidiary companies as investing activities (vi)	7,281,901	(7,281,901)
<b>Year ended 29 February 2008 as restated</b>	<b>203,523</b>	<b>(7,543,930)</b>

## 2. Accounting policies

### a) Basis of consolidation

The consolidated financial information incorporate the financial information 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.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

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 information of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation

#### **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, plus any costs directly attributable to the business combination. 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.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Any gain or loss resulting from a part disposal of a subsidiary is recognised in income in the period.

#### **c) Investments in associates**

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. 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 this financial information using the equity method of accounting except when 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 fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition (i.e. discount on acquisition) is credited in profit or loss in the period of acquisition.

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. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

#### **d) Goodwill**

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

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.

On disposal of a subsidiary or associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS (1 March 2006), had already been fully impaired prior to the date of transition.

#### **e) 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.

**f) Property, plant and equipment other than exploration**

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 income.

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

**g) Investments in subsidiaries and associate – parent company accounts**

Investments in subsidiaries and associate are recognised in the Company financial information 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.

**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.

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. Currently, the Group only has loans and receivables financial assets.

**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.

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 this financial information 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 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.

#### *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 period.

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.

#### **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 information 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 information 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 information, the results and financial position of each group company are expressed in Sterling, which is the functional currency of the Company, and the presentational currency for the consolidated financial information.

In preparing the financial information 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 Sterling at the exchange rate prevailing on the balance sheet date. Also the income and expenditure of the undertaking are translated into Sterling 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.

#### **n) Deferred contribution to exploration costs**

It is the policy of the Group to treat as deferred any income or contribution to costs received which the Group is not entitled to recognise within the accounting period under review because the income or contribution relates to a specifically defined future period of time.

A contribution was received from a third party to support expenditure on an exploration project covering a five year period commencing 1 January 2006. Exploration expenditure on the project in question was to be incurred evenly over its life and accordingly the contribution received was being credited in the income statement on a straight line basis over that period. That proportion of the contribution received not yet released was included in deferred income.

The contribution was received in exchange for an option to purchase the extracted mineral at a pre-agreed price if the project was successful and therefore a potential contingent liability existed.

During the year ended 29 February 2008, this exploration project ceased and consequently the remainder of the contribution had been credited to the income statement and any contingent liability lapsed.

#### **o) Share-based payments**

The Group has applied the requirements of *IFRS 2 Share-based Payments*. In accordance with IFRS 1, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2005.

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.

#### **p) Employee benefits – post retirement**

UK resident employees are entitled to join the Group Personal Pension Plan. The Group pays a defined contribution into this scheme, whose assets are held separately from those of the Group in independently administered funds. The amount recognised as an expense represents the contributions payable to the scheme in respect of the financial year.

In addition the Group contributes to the defined contribution schemes of other UK employees not participating in the Group Personal Pension Plan.

In order to conserve cash reserves, all contributions were suspended with effect from 1 August 2008.

#### q) 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 information:

- going concern – note 1a;
- capitalisation and impairment of exploration and development costs – notes 2e and 13;
- impairment of assets, including goodwill – notes 2d, 2h, 12 and 13;
- estimation of share-based payments – notes 20 and 22;
- provision for environmental remediation and decommissioning – notes 2q and 20; and
- provisions in the Company against investments and balances due from subsidiary companies – notes 2g and 14.

#### 4. Group segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products and services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group has only one business segment, mining and exploration, and this is considered to be the primary reporting format for the Group. The Group also operates in two geographic segments, namely Greenland and Brazil, which is considered to be the secondary reporting format for the Group.

Expenses and assets unallocated relate to activities associated with general management, financing and administration of the operations of the Group.

Segment information about these businesses is presented below.

#### Total assets

	2009	2008
	£	£
Greenland	11,769,257	5,630,748
Brazil	—	244,985
Unallocated	844,969	2,370,283
	<b>12,614,226</b>	<b>8,246,016</b>

#### (Reversal of)/impairment on exploration and development costs

	2009	2008
	£	£
Greenland	(3,211,152)	1,334,147
Brazil	74,154	1,588,113
	<b>(3,136,998)</b>	<b>2,922,260</b>

#### Capital additions

	2009	2008
	£	Restated* £
Greenland	1,846,662	6,525,486
Brazil	—	1,626,084
Unallocated	3,266	3,993
	<b>1,849,928</b>	<b>8,155,563</b>

\* For restatement see note 1c.

#### 5. Operating profit/(loss)

Operating loss is the loss before taxation, finance income, finance costs and share of the results of associates.

	2009	2008
	£	Restated* £
Operating profit/(loss) is stated after charging/(crediting):		
Depreciation of property, plant and equipment	65,084	210,734
(Reversal of)/impairment of exploration and development costs	(3,136,998)	2,922,260
Share-based payments	159,187	371,941
Release of deferred contribution to exploration costs	—	(117,475)
Inventories recognised as an expense during the period	72,777	5,480

\* For restatement see note 1c.

Amounts payable to Deloitte LLP (2008: Baker Tilly UK Audit LLP) in respect of audit services:

– audit services – statutory audit of parent and consolidated financial statements	35,000	40,000
– other services – audit of associates pursuant to legislation	—	8,000
– tax services – compliance	—	4,500
– all other services	—	10,855
	<b>35,000</b>	<b>63,355</b>

Fees paid to Deloitte LLP (2008: Baker Tilly UK Audit LLP) and its associates for non-audit services to the Company itself are not disclosed in the individual accounts of Angel 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.

	2009	2008
	£	£
<b>Emoluments – short-term employee benefits</b>		
RM Andrews	59,274	82,399
NJH Hall	80,700	35,136
TJ Daffern	79,278	—
AP Zemek	51,935	73,362
DPL Williams	69,013	70,677
R Burt	—	8,173
TG Elder	11,000	12,000
F Chapman	3,000	—
M Swallow	—	9,167
C Innis	9,566	3,400
	<b>363,766</b>	<b>294,314</b>
<b>Pension contributions – post-employment benefits</b>		
RM Andrews	5,001	11,999
NJH Hall	5,000	5,233
TJ Daffern	2,362	—
AP Zemek	5,000	10,876
DPL Williams	4,187	10,050
	<b>21,550</b>	<b>38,158</b>
<b>Termination benefits</b>		
RM Andrews	15,000	—
<b>Total emoluments and pension contributions</b>	<b>400,316</b>	<b>332,472</b>

The Directors' interests in the Company's share option scheme are detailed in pages 11 and 12. The total amount expended in the year was £158,544 (2008: £333,445).

Within wages and salaries is £46,512 capitalised to intangible Exploration and Development costs.

Details of other related party transactions are shown in note 27.

The highest paid director received emoluments of £80,700 (2008: £82,399) and pension contributions of £5,001 (2008: £11,999).

As part of the Group's initial plan, which the Directors implemented in 2008, every director and employee was asked to volunteer a contribution. Four Directors agreed to a 50% reduction in salary, either from 1 August or 1 September 2008 and one Director surrendered his contractual bonus entitlement. There were unpaid salaries totalling £59,541.67 owed to the Directors as at the year ended 28 February 2009 (2008: £nil)

In addition, all Directors and staff agreed to a suspension of their Company pension contributions with effect from 1 August 2008.

In April 2009, the amounts of salary and bonus previously sacrificed by those Directors who remained in office, were reinstated, conditional upon the net proceeds being invested in the placing in June 2009. With the addition of some personal contributions, the Directors subscriptions were as follows:

	Number of shares
NJH Hall	1,500,000
TJ Daffern	600,000
DPL Williams	500,000

## 7. Staff numbers and costs

	2009	2008
	Number	Number
Average number of persons, including Directors	9	8

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

	2009	2008
	£	£
Wages and salaries	439,032	330,805
Social security costs	38,098	39,832
Pension costs	24,762	45,516
Share-based payments (note 22)	159,187	371,941
	<b>661,079</b>	<b>788,094</b>

## 8. Finance costs

	2009	2008
	£	Restated*
	£	£
Interest on borrowings	1,124,895	635,022
Foreign exchange losses/(gains)	2,143,165	(60,436)
	<b>3,268,060</b>	574,586

\* For restatement see note 1c.

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

## 9. Finance income

	2009	2008
	£	£
Bank interest	71,485	232,974

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 £10 million (2008: £5 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 information as the asset will take a number of years to be realised and its recoverability is uncertain.

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% (2008: 30%). The differences are explained as follows:

	2009	2008
	£	Restated*
	£	£
Loss on ordinary activities before taxation	(1,510,461)	(4,169,654)
Tax at 28% (2008: 30%)	(422,929)	(1,250,896)
Effects at 28% (at 30%) of:		
– net (income)/expenses not (taxable)/deductible for tax purposes	(847,071)	445,045
– differences between capital allowances and depreciation	(340,770)	107,462
– tax losses carried forward	1,610,770	698,389
Tax on loss on ordinary activities	—	—

\* For restatement see note 1c.

## 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.

	2009		2008 Restated*			
	Losses attributable to equity holders of the parent £	Weighted average number of shares	Loss per share p	Losses attributable to equity holders of the parent £	Weighted average number of shares	Loss per share p
Basic and diluted loss per share	<b>(1,510,461)</b>	<b>189,179,485</b>	<b>(0.80)</b>	(4,169,654)	140,449,532	(2.97)

\* For restatement see note 1c.

As the Group has made a loss for both years, warrants and share options detailed in note 22 were anti-dilutive and have not been included in the fully diluted loss per share calculation.

## 12. Intangible assets

Group	Goodwill Restated* £
<b>Cost</b>	
<b>At 1 March 2007, 29 February 2008 and 28 February 2009</b>	<b>855,988</b>
<b>Impairment</b>	
<b>At 1 March 2007, 29 February 2008 and 28 February 2009</b>	<b>(855,988)</b>
<b>Net book value</b>	
<b>At 1 March 2007, 29 February 2008 and 28 February 2009</b>	<b>—</b>

\* For restatement see note 1c.

The goodwill arose on the acquisition of 1 March 2006 of the remaining minority interest in Black Angel 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.

### 13. Property, plant and equipment

Group	Buildings	Assets under construction	Decommissioning assets	Plant and machinery	Exploration and development costs	Office equipment	Total
	£	Restated* £	Restated* £	Restated* £	Restated* £	£	Restated* £
<b>Cost</b>							
At 1 March 2007	—	—	—	—	3,201,537	83,790	3,285,327
Additions	514,872	3,027,807	—	588,603	3,978,873	45,408	8,155,563
Change in estimate (note 20)	—	—	250,000	—	—	—	250,000
Exchange movement	—	—	—	—	—	11,932	11,932
At 29 February 2008	514,872	3,027,807	250,000	588,603	7,180,410	141,130	11,702,822
Additions	—	780,362	—	52,215	1,014,085	3,266	1,849,928
Change in estimate (note 20)	—	—	526,028	—	—	—	526,028
<b>At 28 February 2009</b>	<b>514,872</b>	<b>3,808,169</b>	<b>776,028</b>	<b>640,818</b>	<b>8,194,495</b>	<b>144,396</b>	<b>14,078,778</b>
<b>Accumulated depreciation/impairment</b>							
At 1 March 2007	—	—	—	—	3,201,537	31,802	3,233,339
Charge for the year	37,113	—	—	67,711	85,890	20,020	210,734
Impairment	—	—	—	—	2,922,260	—	2,922,260
Exchange movement	—	—	—	—	—	2,659	2,659
At 29 February 2008	37,113	—	—	67,711	6,209,687	54,481	6,368,992
Charge for the year	—	—	—	57,296	—	7,788	65,084
Reversal of impairment	—	—	—	—	(3,211,152)	74,154	(3,136,998)
<b>At 28 February 2009</b>	<b>37,113</b>	<b>—</b>	<b>—</b>	<b>125,007</b>	<b>2,998,535</b>	<b>136,423</b>	<b>3,297,078</b>
<b>Net book value</b>							
<b>At 28 February 2009</b>	<b>477,759</b>	<b>3,808,169</b>	<b>776,028</b>	<b>515,810</b>	<b>5,195,961</b>	<b>7,973</b>	<b>10,781,700</b>
At 29 February 2008	477,759	3,027,807	250,000	520,892	970,723	86,649	5,333,830
At 1 March 2007	—	—	—	—	—	51,988	51,988

\*For restatement see note 1c.

All the assets of Angel, Black Angel Mining Ltd and its subsidiaries have been pledged as collateral for security against the borrowings from Cyrus (see note 19). This includes all land and buildings, assets under construction, plant and machinery and office equipment.

In assessing the impairments, the recoverable amount has been determined as the fair value less costs to sell in the light of latest business projections.

Those assets whose impairment has not been reversed relate to the Brazilian business segment.

The reversal of the impairment of the Greenlandic assets, especially exploration costs, is based upon the fact that the Group now has a mining licence and the project to which the assets relate is now considered to be economically viable, following the completion of the Bankable Feasibility Study.

The methodology used for assessing the value in use is described in note 2h.

Key assumptions used to calculate the value in use are:

- 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.

### 13. Property, plant and equipment (continued)

Company	Exploration and development costs £	Office equipment £	Total £
<b>Cost</b>			
At 1 March 2007	1,235,759	35,169	1,270,928
Additions	—	3,993	3,993
At 29 February 2008	1,235,759	39,162	1,274,921
Additions	—	3,265	3,265
<b>At 28 February 2009</b>	<b>1,235,759</b>	<b>42,427</b>	<b>1,278,186</b>
<b>Accumulated depreciation/impairment</b>			
At 1 March 2007	1,235,759	20,988	1,256,747
Charge for the year	—	5,679	5,679
At 29 February 2008	1,235,759	26,667	1,262,426
Charge for the year	—	7,788	7,788
<b>At 28 February 2009</b>	<b>1,235,759</b>	<b>34,455</b>	<b>1,270,214</b>
<b>Net book value</b>			
<b>At 28 February 2009</b>	<b>—</b>	<b>7,972</b>	<b>7,972</b>
At 29 February 2008	—	12,495	12,495
At 1 March 2007	—	14,181	14,181

The above assets whose impairment has not been reversed relate to the Brazilian business.

All the assets of the Company have been pledged as collateral for security against the borrowings shown in note 19.

### 14. Investments in subsidiaries

Company	£
<b>Cost</b>	
At 1 March 2007	8,075,783
Additions	500,050
At 29 February 2008	8,575,833
Additions	100,000
Disposals	(42,314)
<b>At 28 February 2009</b>	<b>8,633,519</b>
<b>Impairment</b>	
At 1 March 2007	8,075,783
Impairment	500,050
At 29 February 2008	8,575,833
Impairment in the year	100,000
Disposals	(42,314)
Reversal of impairment	(6,714,235)
<b>At 28 February 2009</b>	<b>1,919,284</b>
<b>Net book value</b>	
<b>At 28 February 2009</b>	<b>6,714,235</b>
At 1 March 2007 and 29 February 2008	—

The reversal of the impairment of the investment in Black Angel Mining Ltd resulted from the recent developments occurred in the Greenland business as described in note 13.

Details of movements during the year are set out in note 25.

#### 14. Investments in subsidiaries (continued)

Subsidiary undertakings	Country of incorporation	Shares held	Principal Activity
Angus & Ross do Brasil Participações e Empreendimentos SA	Brazil	100% **	Exploration )
Mineração Marfim Ltda	Brazil	100% **	Exploration )
Mineração Condessa Ltda	Brazil	100% **	Exploration )
Black Angel Mining Ltd (formerly Greenland Mining Ltd)	England	100%	Holding company
Black Angel Mining A/S	Greenland	100% ***	Exploitation
Greenland Resources Ltd	England	100%	Holding company
Greenland Mines Ltd	England	100% *	Dormant
St Andrews Mining Ltd	England	64%	Holding company – in process of liquidation

\* Held indirectly through Greenland Resources Ltd.

\*\* Held indirectly through St Andrews Mining Ltd.

\*\*\* Held indirectly through Black Angel Mining Ltd.

During the year ended 29 February 2008, Angus & Ross Canada Ltd and Angus & Ross China Ltd, previously dormant 100% subsidiaries of Angel, were liquidated, and represent the disposals in the table above.

St Andrews Mining Ltd and its Brazilian subsidiaries have, since the year end commenced liquidation procedures. All of the companies assets have been considered to be fully impaired at the year end.

It is considered unlikely that the Company will receive any benefits from their liquidation, nor will any liabilities accrue to the Company.

#### 15. Investments accounted for using the equity method

	Group £	Company £
At 1 March 2007	544,757	573,237
Share of loss of associate	(191,039)	—
At 29 February 2008	353,718	573,237
Share of loss of associate	(220,558)	—
<b>At 28 February 2009</b>	<b>133,160</b>	<b>573,237</b>

The Company's investment in Orion Metals Ltd (formerly Queensland Gold & Minerals Ltd) ("Orion") as at 1 March 2007 and 2008 was 28.22% and accordingly it has been treated as being an investment in an associated company. On 14 November 2008, following further fundraising, the Company's holding was reduced to 24.52%. The investment above is valued in the Group's financial information at cost less the share of losses since it ceased to be a subsidiary and in the Company's financial information at cost less provision for impairment.

The principal activity of Orion is the exploration for gold and other minerals and it is incorporated in Australia. Orion's share price as at 28 February 2009 is A\$0.084 (2008: A\$0.12). Orion's revenue during the current and previous years was not material. The Group's 24.52% share of items in Orion's balance sheet at 28 February 2009 was:

	2009 £	2008 £
Non-current assets	183,258	502,000
Current assets	35,227	124,000
Current liabilities	48,060	46,000

There are no contingent liabilities or capital commitments related to the Group's investment in the associate.

See also note 26(vii).

#### 16. Rehabilitation security deposit

	2009 £	2008 £
Rehabilitation security deposit	945,974	—

This deposit covers the estimated cost, as notified to the Company by the Bureau of Mines & Petroleum, of decommissioning and rehabilitation obligations, as described in note 20. The Group's right to access this deposit is restricted.

**17. Trade and other receivables**

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
<b>Current</b>				
Other receivables	36,627	142,876	36,627	112,210
Prepayments	1,745	56,212	1,745	34,098
Amounts owed by subsidiaries	—	—	10,803,008	4,978,624
	<b>38,372</b>	199,088	<b>10,841,380</b>	5,124,932

**18. Trade and other payables**

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
<b>Current</b>				
Trade payables	—	775,520	—	584,827
Accruals and deferred income	378,760	138,629	249,917	135,062
Other payables	—	110,000	—	—
	<b>378,760</b>	1,024,149	<b>249,917</b>	719,889
<b>Non-current</b>				
Other payables	334,339	356,430	—	—
	<b>334,339</b>	356,430	—	—

**19. Borrowings**

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Current borrowings	8,196,603	—	8,196,603	—
Non-current borrowings	—	5,670,176	—	5,670,176
	<b>8,196,603</b>	5,670,176	<b>8,196,603</b>	5,670,176

In July 2007, the Company arranged a \$30 million debt facility with Cyrus Capital Partners LP ("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 before year end.

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, Black Angel Mining Ltd ("BAM") and any of BAM'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% has also been 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 fair value of nil, 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 past year end.

The issue of share capital in SAM (see note 25) has resulted in a breach of a loan covenant, agreed with Cyrus at the inception of the loan. During the year under review, the Company continued to service the loan under its normal terms and there was no request from Cyrus for early settlement. As a result of the breach, the Group and Company have classified the loan as a current liability.

Post year end, the Company has re-negotiated the terms of the loan held with Cyrus (see note 26(viii)).

**20. Non-current provisions****Environmental rehabilitation provision**

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
At the beginning of the year	250,000	—	—	—
Changes in estimate (note 13)	526,028	250,000	—	—
At the end of the year	<b>776,028</b>	250,000	—	—

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 2.0%, 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 10 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.

## 21. Share capital

	Authorised	
	2009	2008
	£	£
1,000,000,000 ordinary shares of 1p each (2008: 500,000,000)	10,000,000	5,000,000
<u>Allotted, called up and fully paid</u>		
	Number	£
Ordinary shares of 1p each		
At 28 February 2007	138,777,203	1,387,772
Issued in year	2,600,000	26,000
At 29 February 2008	141,377,203	1,413,772
Issued in year	70,639,000	706,390
<b>At 28 February 2009</b>	<b>212,016,203</b>	<b>2,120,162</b>

On 27 June 2008, the Company issued 70,639,000 new ordinary shares at a price of 5p per share, raising £3,531,950 gross before issue costs of £210,391, as the result of a private placing.

Changes to share capital post year end are discussed in note 26(ii), (iii) and (iv).

On 30 April 2007, the Company issued 400,000 new ordinary shares following the exercise of share options granted at a price of 10p per share.

On 23 July 2007, 2,200,000 new ordinary shares were issued as the result of a private placing at a price of 22p per share.

## 22. Share-based payments

The Company has one Share Option Plan, under which options to subscribe for the Company's shares have been granted to certain employees and consultants of the Group. Options are exercisable at various prices and have one year non-exercise period, excluding those options granted on 22 March 2006 (see note b below). If the options remain unexercised after a period of three to ten years from the date of grant, the options expire. Options are forfeited if the employee or the consultant leaves the Group before the options vest.

Aggregate share options in respect of ordinary shares had been granted and were outstanding at 28 February 2009 as follows:

Options outstanding at 1 March 2008	Number of options during the year			Exercisable period		
	Notes	Lapsed	Options outstanding at 28 February 2009	Option price	Start date	Date of expiry
1,200,000	a	(1,200,000)	—	10.00p	24.09.02	24.09.08
1,650,000		(1,650,000)	—	7.00p	23.09.03	23.09.08
2,050,000		—	2,050,000	10.00p	17.12.05	17.12.14
3,400,000		—	3,400,000	9.25p	30.09.06	30.09.15
3,205,000		(250,000)	2,955,000	11.50p	21.03.07	21.03.16
200,000		—	200,000	22.00p	16.05.07	16.05.16
700,000	b	—	700,000	13.50p	22.03.07/08	22.03.10/17
7,700,000		(100,000)	7,600,000	20.00p	28.06.08	28.06.12
20,105,000		(3,200,000)	16,905,000			

No share options were granted and exercised during the year.

Since year end, 12,505,000 options were surrendered or lapsed.

## Notes

a) Options granted on 24 September 2002 originally had an expiry date on 24 September 2007. However, during the course of the year and in accordance with the authority vested in the option scheme rules, the Remuneration Committee determined that due to the absence of suitable opportunities for these options to be exercised, their expiry date would be extended by one year to 24 September 2008.

b) Of the 700,000 options granted on 22 March 2007, 550,000 were awarded to non-employees; these options are exercisable with effect from the date of grant and have an expiry date of 22 March 2010. The remaining 150,000 share options were granted on the same date to employees of the Company but have a one year non-exercise period and an expiry date of 22 March 2017.

The number and weighted average exercise price of share options are as follows:

	Weighted average exercise price 2009 £	Number of options 2009	Weighted average exercise price 2008 £	Number of options 2008
Outstanding at the beginning of the year	0.1394	20,105,000	0.1010	12,205,000
Expired during the year	0.0888	(3,200,000)	0.2500	(100,000)
Exercised during the year	—	—	0.1000	(400,000)
Granted during the year	—	—	0.1946	8,400,000
Outstanding at the end of the year	0.1489	16,905,000	0.1394	20,105,000
Exercisable at the end of the year	0.1489	16,905,000	0.1013	12,255,000

The weighted average share price of those options exercised, as at the date of exercise was £nil (2008: £0.185).

The options outstanding at 28 February 2009 have an exercise price in the range of £0.0925 to £0.22 (2008: £0.07 to £0.22) and a weighted average contractual life of 5.20 years (2008: 5.21 years). The fair value of services received in return for share options granted is measured using the Black-Scholes model 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. There are no market vesting conditions attaching to any of the above option grants.

The weighted average fair value of share options and input assumptions made in applying the Black-Scholes model to option grants made during the previous financial year are as follows:

	2008 options granted
Fair value of options at measurement date	£0.0628
Share price at date of grant	£0.1719
Exercise price	£0.1946
Expected volatility	54.82%
Option life	2.84 yrs
Expected dividends	—
Risk-free interest rate	5.48%

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

The Group recognised total expenses of £159,187 related to equity-settled share based payment transactions in 2009 (2008: £371,941).

## 23. 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 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.

### Fair value of financial instruments

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
<b>Financial assets</b>				
Rehabilitation security deposit	945,974	—	—	—
Trade and other receivables	36,627	142,876	10,839,635	5,090,834
Cash and cash equivalents	674,083	2,233,363	665,465	1,848,243
	<b>1,656,684</b>	<b>2,376,239</b>	<b>11,505,100</b>	<b>6,939,077</b>
<b>Financial liabilities</b>				
Trade and other payables	378,760	1,024,149	249,917	719,889
Current borrowings	8,196,603	—	8,196,603	—
Non-current borrowings	—	6,152,106	—	6,152,106
Non-current other payables	334,339	356,430	—	—
	<b>8,909,702</b>	<b>7,532,685</b>	<b>8,446,520</b>	<b>6,871,995</b>

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 maximum exposures to credit risk for the Group and for the Company, without taking into account any collateral held or other credit enhancements are represented by the totals for Financial Assets shown above.

#### 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.

Group 2009	Non-interest bearing	Variable rate	Fixed rate	Weighted average rate	1% point increase	1% point decrease
	£	£	£	%	£	£
<b>Financial assets</b>						
Rehabilitation security deposit	—	945,974	—	0.5%	9,460	(9,460)
Trade and other receivables	36,627	—	—	—	—	—
Cash and cash equivalents	—	674,083	—	0.5%	6,741	(6,741)
	<b>36,627</b>	<b>1,620,057</b>	<b>—</b>	<b>—</b>	<b>16,201</b>	<b>(16,201)</b>
<b>Financial liabilities</b>						
Trade and other payables	378,760	—	—	—	—	—
Current borrowings	8,196,603	—	8,196,603	11.0%	—	—
Non-current other payables	334,339	—	—	—	—	—
	<b>8,909,702</b>	<b>—</b>	<b>8,196,603</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Group 2008</b>						
<b>Financial assets</b>						
Trade and other receivables	142,876	—	—	—	—	—
Cash and cash equivalents	—	2,233,363	—	5.5%	22,334	(22,334)
	142,876	2,233,363	—	—	22,334	(22,334)
<b>Financial liabilities</b>						
Trade and other payables	1,024,149	—	—	—	—	—
Non-current borrowings	—	—	5,670,176	11.0%	—	—
Non-current other payables	356,430	—	—	—	—	—
	<b>1,380,579</b>	<b>—</b>	<b>5,670,176</b>	<b>—</b>	<b>—</b>	<b>—</b>

### 23. Financial instruments (continued)

#### Interest rate risk (continued)

<i>Company 2009</i>	Non-interest bearing £	Variable rate £	Fixed rate £	Weighted average rate %	1% point increase £	1% point decrease £
<b>Financial assets</b>						
Trade and other receivables	10,839,635	—	—	—	—	—
Cash and cash equivalents	—	665,465	—	0.5%	6,655	(6,655)
	10,839,635	665,465	—		6,655	(6,655)
<b>Financial liabilities</b>						
Trade and other payables	249,917	—	—	—	—	—
Current borrowings	—	—	8,196,603	11.0%	—	—
	249,917	—	8,196,603		—	—
<i>Company 2008</i>	Non-interest bearing £	Variable rate £	Fixed rate £	Weighted average rate %	1% point increase £	1% point decrease £
<b>Financial assets</b>						
Trade and other receivables	5,090,834	—	—	—	—	—
Cash and cash equivalents	—	1,848,243	—	5.5%	18,482	(18,482)
	5,090,834	1,848,243	—		18,482	(18,482)
<b>Financial liabilities</b>						
Trade and other payables	719,889	—	—	—	—	—
Non-current borrowings	—	—	5,670,176	11.0%	—	—
	719,889	—	5,670,176		—	—

#### 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.

#### Group and Company

	2009		
	Balance £	10% strengthening against £	10% weakening against £
Swiss Franc	16	2	(1)
US Dollars	(8,195,920)	(745,084)	910,658
Danish Kroner	1,001,980	111,331	(91,089)
	(7,193,924)	(633,751)	819,568
	2008		
	Balance £	10% strengthening against £	10% weakening against £
Swiss Franc	704,933	78,326	(64,085)
US Dollars	(5,386,405)	(598,489)	489,673
Danish Kroner	706,245	78,472	(64,204)
	(3,975,227)	(441,691)	361,384

#### 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:

### 23. Financial instruments (continued)

#### Liquidity risk (continued)

##### Financial liabilities

	Due in less than 1 month £	Due between 1 and 3 months £	Due between 3 months and 1 year £	Due between 1 and 5 years £	Total £
<b>Group 2009</b>					
Trade and other payables	378,760	—	—	—	378,760
Current borrowings	8,196,603	—	—	—	8,196,603
Non-current other payables	—	—	—	334,339	334,339
<b>Group 2008</b>					
Trade and other payables	569,101	455,048	—	—	1,024,149
Non-current borrowings	—	—	—	5,670,176	5,670,176
Non-current other payables	—	—	—	356,430	356,430

  

	Due in less than 1 month £	Due between 1 and 3 months £	Due between 3 months and 1 year £	Due between 1 and 5 years £	Total £
<b>Company 2009</b>					
Trade and other payables	249,917	—	—	—	249,917
Current borrowings	8,196,603	—	—	—	8,196,603
<b>Company 2008</b>					
Trade and other payables	397,790	322,099	—	—	719,889
Non-current borrowings	—	—	—	5,670,176	5,670,176

### 24. 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 19, 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 2.57:1 at 28 February 2009 (2008: 3.46:1).

Debt is defined as borrowings, as detailed in note 19. 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.

### 25. Acquisitions and disposals

#### Group companies

(i) In the course of the financial year, private placings were undertaken in St Andrews Mining Ltd as follows:

Date	Price	Amount raised £	Subscribed by the Company £	Subscribed by other parties £	%age held by the Company after placing
31 March 2008	4p	210,000	100,000	110,000	78%
30 April 2008	4p	4,000	—	4,000	78%
31 May 2008	1p	49,000	—	49,000	73%
14 August 2008	1p	105,000	—	105,000	64%
		<b>368,000</b>	<b>100,000</b>	<b>268,000</b>	

See note 26(vi) for subsequent events.

No minority interest has been recognised in the current and period year as the losses applicable to the minority in excess of the minority's interest in the subsidiary's equity have been allocated against the interests of the Group given that the minority does not have a binding obligation and not is able to make an additional investment to cover the losses. The resulting gain on the part disposal has been recognised in income statement.

(ii) The Company has a total of 1,000,000 options to subscribe for shares in Orion. Of these, 624,925 expired on 30 June 2008 and 375,075 expired on 30 June 2009.

## 26. Post balance sheet events

### (i) Change of name of the company

On 21 August 2009, the Company changed its name to Angel Mining plc.

### (ii) Share capital issues of the Company

On 30 April 2009, the Company issued 30,000,000 new ordinary shares at a price of 2p as the result of a private placing, raising £600,000 gross. The undermentioned Directors subscribed for shares in the placing as follows:

NJH Hall	1,500,000 shares
TJ Daffern	600,000 shares
DPL Williams	500,000 shares

In settlement of a £100,000 implementation fee for the equity drawdown facility (see iii below), on 1 May 2009, the Company issued 3,300,330 new ordinary shares at a price of 3.03p per share.

On 2 July 2009, as a result of the first drawdown under the Equity drawdown facility (see (iii) below), the Company issued 1,986,228 new ordinary shares for cash at a price of 1.88p per share.

### (iii) Equity drawdown facility

On 25 April 2009, the Company entered into a Structured Equity Drawdown Agreement ("SEDA") with YA Globalmaster SPV Ltd; the agreement provides the Company with a £5 million equity drawdown facility and is valid for a period of 2 years from 26 June 2009. The implementation fee for this facility amounted to £100,000 and was settled by the issue of ordinary shares of the Company. The agreement also contains a number of opt-out provisions. There was a covenant breach on 1 September 2009 due to the shares being suspended as a result of not filing the financial statements on time in accordance with AIM listing rules. However the facility is not expected to be withdrawn and will be available again soon after the signing of the accounts.

### (iv) Increase in share capital

On 21 August 2009, as a result of the conversion of the Cyrus loan, as discussed in (viii) below, the authorised share capital of the Company was increased from £10,000,000 to £20,000,001, represented by 2,000,000,000 ordinary shares of 1p each and 1 'B share' of £1.00. Details of the Rights attaching to the B share are set out below;

- a holder of the B Share has the right to attend and vote at general meetings of the Company;
- 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 in accordance with the conditions set out in the Loan Note Instrument;
- 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;
- the B Share shall have no entitlement to dividends or a return of capital; and
- 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 US\$12,500,000 Convertible Loan Notes denominated in units of US\$1,000 convertible into Ordinary Shares and constituted by the Loan Note Instrument or the amount for the time being issued and outstanding.

### (v) Nalunaq acquisition

On 30 June 2009, Angel Mining plc signed an agreement to acquire the assets of the Nalunaq gold mine for a cash consideration of \$1m. This acquisition is subject to the approval of the joint Committee of the Greenland and Danish Governments. A further \$500,000 is payable on the later of 31 August or 10 days after the receipt of such approval.

This acquisition has not been treated as a business combination as defined in IFRS 3 *Business Combinations* as it was judged by management that this was an acquisition of business assets rather than that of a business as defined in IFRS 3.

### (vi) Liquidation of subsidiaries

After the year end, St Andrews Mining Ltd commenced a Members Voluntary Winding Up. This process is still ongoing at the date of signing these accounts.

The Group's Brazilian subsidiaries (see note 14) also commenced winding up proceedings, which are still ongoing at the date of this financial information.

It is not expected that there will be any net assets or net liabilities reverting back to Angel Mining plc.

### (vii) Orion Metals Ltd (formerly Queensland Gold & Minerals Ltd) – Further dilution

The Angel investment of 14,666,667 shares was reduced on 31 July 2009 to 3,666,666 shares, following a 1 for 4 consolidation and represents 14.85% of the total issued capital. At 24 August, the market value was quoted as being A\$0.125 per share. Post year end, the Group holds the shares as held for trading which it will divest itself of at the appropriate time.

*(viii) Cyrus loan*

As announced on 11 May 2009, Cyrus has agreed to refinance its US\$12.5 million loan on the basis that FBC an affiliate of Cyrus will subscribe for Convertible Interest Free Loan Notes and a B Share in exchange for the cancellation of the Cyrus Loan and the Warrants. On 21 August 2009, shareholders approved the refinancing and the agreement was concluded.

The Convertible Interest Free Loan Notes are convertible at any time, but not later than 31 December 2012, by FBC, into 577,275,643 Ordinary Shares. The Loan Notes will have the benefit of the same security as the Cyrus Loan until the Company secures bank 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.

The B share provides FBC with the same voting rights at general meetings of the Company as if they had exercised their conversion rights. Based on the number of shares in issue at 21 August 2009, FBC would have 70.1% of all voting rights.

**27. Related party transactions**

During the year the Group incurred consultancy fees of £2,362 (2008: £28,572) payable to Gravita Inc., for services provided by R Burt, a former Director of the Company. This cost is included in administration expenses.

**Loans to subsidiaries**

	Company		Net £
	Loan £	Provision £	
Balance 1 March 2007	1,478,383	(1,258,492)	219,891
Amounts advanced to subsidiaries	7,281,901	—	7,281,901
Impairment	—	(2,523,168)	(2,523,168)
Balance 29 February 2008	8,760,284	(3,781,660)	4,978,624
Amounts advanced to subsidiaries	2,417,657	-	2,417,657
Reversal of impairment	—	3,406,727	3,406,727
Balance 28 February 2009	<b>11,177,941</b>	<b>(374,933)</b>	<b>10,803,008</b>

**Amounts owed to other related parties**

Non-current liabilities relates to amounts owed to the CEO and Director of Angus and Ross do Brasil Participações e Empreendimentos SA. The loan was provided to finance the Brazilian operations in previous years. Following the liquidation of SAM post year end (see note 26 (vi)), the Director has exercised his rights under the loan agreement and accordingly his loan has been settled through him taking the fixed assets held by the Brazilian subsidiaries.

**Impairment reversal**

The reversal of the impairment of the investment in Black Angel Mining Ltd resulted from the recent developments that occurred in the Greenland business as described in note 13.

**28. Capital expenditure**

Capital expenditure authorised, but not contracted for at the year end, amounted to £nil (2008: £171,125). In the previous year, this is all related to expenditure on assets in the course of construction.

**29. Guarantees and contingencies**

**Mine closure guarantee**

The Company maintains a security fund deposit 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.

# Shareholder information

Year ended 28 February 2009

## 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](http://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,  
Lincs,  
PE10 0NN

Tel: 017931 709053  
Fax: 01778 570100

## Secretary

Paul Williams

Tel: 07767 471733  
Fax: 01606 855022

## 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](http://www.angelmining.com), as well as on such sites as [www.bloomberg.com](http://www.bloomberg.com), [www.ft.com](http://www.ft.com), [www.hemscott.com](http://www.hemscott.com) and [www.londonstockexchange.com](http://www.londonstockexchange.com). There is also a link from the Company's previous website [www.angelmining.com](http://www.angelmining.com). The share price is also quoted daily in several national newspapers.

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