

SHAREHOLDER NEWSLETTER

October 2011



Introduction

For the past several months, many shareholders have contacted us asking for more regular updates on the business. Many of you also asked us questions about the business which were price sensitive and, therefore, could not be answered without first making a public announcement. This newsletter is intended to address both your specific questions and broader curiosity.

We intend to publish a newsletter every other month which will contain information on what is going on at Nalunaq and Black Angel as well as any corporate activity. We will also try to respond to any questions received from shareholders since the previous newsletter.

Nalunaq

During September, production of doré at Nalunaq increased in line with our forecast and we shipped 700 ounces to Switzerland on the 27th for refining. This year, we have sold 1,206 ounces at an average price of \$1,719 per ounce. The gold price has fallen back a little from its peak but there are many market commentators who are bullish about its recovery.

Over recent months, the team has had to deal with some frustrating problems with the process plant. Most notably, as referred to in recent announcements, the delay in the delivery of the new Atomic Absorption machine ("AA"). The new AA

machine has now arrived on site and should be operational later this week.

Also, there was a failure of the bearings in the ball mill which meant that the plant was unable to process ore for a number of days. However, whilst waiting for the new bearings to arrive, improvements were made to the fixing of the ball mill to its foundations which will hopefully make the unit operate more efficiently and put less strain on the bearings.

New pumps have been ordered to replace some of the original units as the team has increased the amount of carbon in the CIP tanks to improve recovery. The existing pumps are degrading some of the carbon, now that there are greater quantities to pump. This modification, together with stronger CIP agitators, is part of the programme to increase the recovery of gold to above 85% of the feed grade.

The production graph at the bottom of the newsletter highlights how these challenges have affected the amount of material we have been able to process in the plant. It is also worth noting that the amount of ore which has been mined has fluctuated during the period as we have either processed stockpile material or focussed our mining efforts on development work rather than ore production.

In early September, the team welcomed Steve Ainsworth, who joined as Deputy General Manager and Head of Mining. Steve has had a long career in hard rock mining and will undoubtedly help develop

our team of miners and play a major role in the development of the mine plan.

Black Angel

During the last week of September, we had representatives of the technical advisers and sub-contractors on site at Black Angel to help finalise the project design and implementation plan. There were a number of areas where the site visit enabled us to swiftly get decisions made and to see if there were any further opportunities to reduce or defer the costs of achieving production. As a result, we now have a much more detailed water management system, tailings disposal plan, materials handling system and a site plan for the base camp and support area at Maarmorilik. The Definitive Feasibility Study is targeted to be complete before the end of this year.

Garaventa have installed two of the four main cables across the fjord and we have a rock mechanic inspecting the portals to confirm that it is safe to tension the cables. All current work on site is scheduled to be completed before the end of October. After which a small team will be on site

over the winter with a short task list but the real development work will not recommence until late spring 2012.

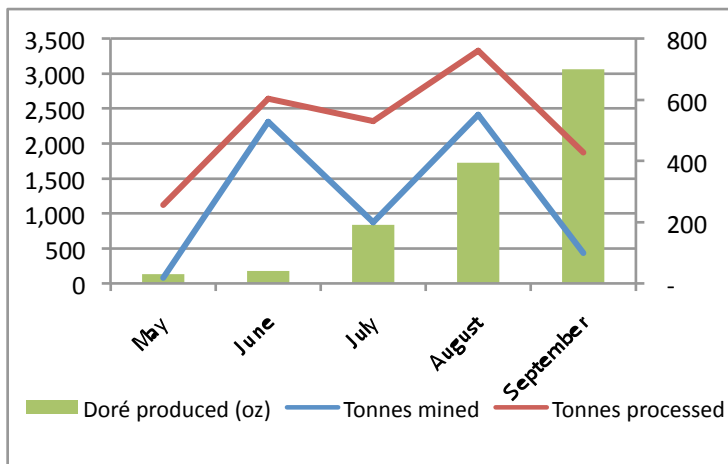
Finance

We were disappointed at the muted market reaction to news of gold production at Nalunaq and that the news did not have a more positive impact on the share price. The Directors believe that we must continue with the development of both Nalunaq and Black Angel to ensure that the Company fulfils its real potential. To slow down now could harm our long term prospects. Consequently, we decided to raise £1.2m via a placing of shares at 1.6p to ensure that we could meet our current cash commitments at Black Angel. Although the placing price was disappointing, market volatility made getting any fundraising away very difficult. To every extent possible, all our efforts are now focussed on maximising positive cash through gold sales from Nalunaq.

Website

New photographs have been placed on the website including a picture of the recent 11 kilo doré bar.

<i>Nalunaq Production Stats</i>	Year to date	September
Tonnes mined	7,809	435
Tonnes processed	13,342	1,876
Doré produced (ounces)	1,357	700
Gold recovered (ounces)	1,206	630



ANGM Share Price – last 12 months



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