Alexander Mining plc



Interim Report

For the six months ended 30 June 2006

Highlights

- Good progress made with feasibility study on Leon copper and silver project in northern Argentina.
- Leon regional exploration programme successful in identifying mineralised targets leading to preparation for drilling.
- Metals market conditions and outlook remain favourable for new business efforts to build a diversified mining company.
- Strong cash position totalling £16.3m at the end of June.

Directors

M L Sutcliffe
M L Rosser
J W Ashcroft
J S Bunyan
R O Davey
G V Lewis
D R Norwood

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4. Reconciliation of net cash flow to movements in net funds

	Six months ended 30 June 2006 £'000	Period ended 30 June 2005 £'000	Period ended 31 December 2005 £'000
Increase in cash in the period	**440**	78	1,943
(Decrease)/increase in short term bank deposits	**(2,874)**	20,883	16,478
Movement in net funds resulting from cash flows	**(2,434)**	20,961	18,421
Foreign exchange (loss)/gain on cash balances	**(287)**	4	20
Movement in net funds	**(2,721)**	20,965	18,441
Net funds at start of period	**19,000**	559	559
Net funds at end of period	**16,279**	21,524	19,000
Represented by:			
Cash at bank and in hand	**2,416**	117	1,982
Short term bank deposits	**13,863**	21,407	17,018
Net funds at end of period	**16,279**	21,524	19,000

5. Reconciliation of movements in shareholders' funds

	Six months ended 30 June 2006 £'000	Restated period ended 30 June 2005 £'000	Restated period ended 31 December 2005 £'000
Loss for the period	**(1,530)**	(540)	(1,260)
Exchange loss on foreign currency net investments	**(166)**	–	–
Share option costs recognised in reserves	**237**	104	337
New share capital subscribed – Alexander Mining plc	**–**	18,516	18,516
New share capital subscribed – Alexander Gold Group Limited	**–**	3,506	3,506
Movement in shareholders' funds	**(1,459)**	21,586	21,099
Shareholders' funds at start of period	**21,597**	498	498
Shareholders' funds at end of period	**20,138**	22,084	21,597

Chairman's Review

I am pleased to report on Alexander Mining plc's interim results for the six months ended 30 June 2006.

Operations

During the period, the Company has devoted most of its efforts in advancing its Leon project towards completion of a feasibility study and a decision to proceed with mine construction.

The planned programme of resource definition drilling has now been completed at the Leon project. A total of 15,296m were drilled in 192 holes, including 857m of large diameter PQ drilling for metallurgical purposes. A.C.A. Howe International were contracted as independent technical/resource auditors and also to make an independent JORC Code compliant resource calculation.

Mining engineering open pit design and planning work has commenced. This will be based upon the report submitted by independent consultant Adam Wheeler following his visit to the site during the first week in June.

Meanwhile, the pilot plant preparations have proceeded at site. A large bulk sample from El Cobre, the zone targeted for initial mining, has been stacked on the leach pad. All reticulation systems are in place for processing by the solvent extraction-electrowinning (SX-EW) pilot plant brought in from Chile.

Metallurgical testwork has continued at SGS Lakefield in Canada and column tests are under way in Chile at Sociedad Terral and at SGS Lakefield to refine the process flowsheet. This is principally aimed at determining the ultimate particle size for the leach pad ore and hence the mine operating cost per tonne.

Most of the environmental base line work has been completed and will be incorporated as part of the full environmental impact study by Vector Engineering. This is the key document required for starting work at the site and for the mine to proceed to full scale construction.

We are excited about the potential of the reconnaissance exploration in the Leon area that commenced in April 2006 after receipt of necessary environmental permits. Work to date has consisted of geological and structural mapping combined with rock chip and sediment geochemical sampling. To date, approximately 30% of the area has been reconnoitred and nine mineralised targets have been identified. More detailed exploration has been completed or is in progress on six of the targets in preparation for drill evaluation.

Work at our other properties encompassed: drilling at Rachaite, Argentina, which showed it was anomalous in silver, lead and zinc – the Company is in discussions regarding a joint venture to continue

Chairman's Review continued

drilling; at Sulcha, Peru, results from the exploration drilling programme were disappointing and the decision to terminate the project has been taken – the associated costs have been written off; and at the Molinetes gold project in Peru, we are awaiting necessary approvals prior to commencing exploration activities.

Financial

During the six months ended 30 June 2006, the Company made a consolidated net loss after taxation of £1,530,000, compared to a restated loss for the year ended 31 December 2005 of £1,260,000. The loss after tax in the period includes £405,000 of expenditure (both property acquisition and exploration) written off from the Sulcha project in Peru; £237,000 representing the fair value of share options issued by the Company, which have been calculated in accordance with FRS 20, a new accounting standard adopted for the first time in the period; and £287,000 of foreign exchange losses due to fluctuations in the Sterling/US Dollar exchange rate following the Company's decision to hold approximately half of its cash reserves in US Dollars, the currency of the majority of the Company's exploration expenditure, at the start of 2006.

Interest earned during the period totalled £407,000 due to our strong cash position, which totalled £16.3 million at the end of June. During the period a further £1,678,000 of exploration costs have been capitalised, representing costs associated with the ongoing exploration on the Company's projects in South America.

Outlook

Metal prices, both base and precious, have remained near historic absolute highs. The benefits of a diversified approach to building a mining company continue to remain compelling. With this objective, we look forward to progressing our existing activities and to identifying, and consummating, attractive new business opportunities.

We are pleased to have secured the services of Fred van Dongen as Chief Operating Officer, a mining engineer who has considerable experience in building mines in South America. Also I am delighted that Roger Davey and Martin Rosser have recently joined the Board.

I would like to thank, on behalf of the Board, our shareholders for their continued strong support and to thank my fellow directors and employees for their hard work. We look forward to reporting on our activities in due course.

Matt Sutcliffe
21 September 2006

Independent Review Report to Alexander Mining plc

Introduction
We have been instructed by the Company to review the financial information for the six months ended 30 June 2006, which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and related notes. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company and in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities
The Interim Report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Report in accordance with the rules of the London Stock Exchange for companies trading securities on AIM which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the Company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Review work performed
We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion
On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

PKF (UK) LLP

PKF (UK) LLP
Chartered Accountants
London, UK
21 September 2006

Consolidated Profit and Loss Account

For the six months ended 30 June 2006

	Notes	Six months ended 30 June 2006 £'000	Restated pro forma six months ended 30 June 2005 £'000	Restated pro forma year ended 31 December 2005 £'000
Administrative expenses				
Expenses		**(1,295)**	(604)	(1,552)
Exploration costs written off		**(405)**	–	–
Share option costs	1	**(237)**	(104)	(337)
Operating loss		**(1,937)**	(708)	(1,889)
Provision against investment in Associate		**–**	(73)	(73)
Net interest receivable		**407**	241	702
Loss on ordinary activities before taxation		**(1,530)**	(540)	(1,260)
Tax on loss on ordinary activities		**–**	–	–
Loss on ordinary activities after taxation and retained for the period		**(1,530)**	(540)	(1,260)
Basic and diluted loss per share (pence)	2	**(1.14)p**	(0.54)p	(1.07)p

All amounts relate to continuing operations.

Consolidated Statement of Total Recognised Gains and Losses

	Six months ended 30 June 2006 £'000	Restated pro forma six months ended 30 June 2005 £'000	Restated pro forma year ended 31 December 2005 £'000
Loss for the period	**(1,530)**	(540)	(1,260)
Exchange loss on foreign currency net investments	**(166)**	–	–
Total recognised loss for the period	**(1,696)**	(540)	(1,260)
Prior year adjustment (note 1)	**(337)**		
Total recognised loss since last financial statements	**(2,033)**		

Consolidated Balance Sheet
As at 30 June 2006

	Notes	As at 30 June 2006 £'000	Restated as at 30 June 2005 £'000	Restated as at 31 December 2005 £'000
Fixed assets				
Intangible fixed assets		**3,931**	507	2,253
Tangible fixed assets		**54**	17	73
Investments		**100**	–	100
		4,085	524	2,426
Current assets				
Debtors		**290**	203	539
Cash at bank and in hand		**2,416**	117	1,982
Short term bank deposits		**13,863**	21,407	17,018
		16,569	21,727	19,539
Creditors: amounts falling due within one year		**(516)**	(167)	(368)
Net current assets		**16,053**	21,560	19,171
Total assets less current liabilities		**20,138**	22,084	21,597
Capital and reserves				
Called up share capital		**13,453**	13,453	13,453
Share premium account		**11,850**	11,850	11,850
Merger reserve		**(2,487)**	(2,487)	(2,487)
Share option reserve	1	**574**	104	337
Profit and loss account		**(3,252)**	(836)	(1,556)
Shareholders' funds	5	**20,138**	22,084	21,597

Consolidated Cash Flow Statement

For the six months ended 30 June 2006

	Notes	Six months ended 30 June 2006 £'000	Pro forma six months ended 30 June 2005 £'000	Pro forma year ended 31 December 2005 £'000
Net cash outflow from operating activities	3	**(592)**	(662)	(1,776)
Returns on investment and servicing of finance				
Interest received		**466**	224	494
Interest paid		**–**	(5)	(6)
Net cash inflow from returns on investment and servicing of finance		**466**	219	488
Capital expenditure and financial investment				
Purchase of tangible fixed assets		**(1)**	(55)	(107)
Purchase of intangible fixed assets		**(2,307)**	(397)	(1,940)
Investment in associated undertaking		**–**	(32)	(32)
Acquisition of other investments		**–**	–	(100)
Net cash outflow from capital expenditure and financial investment		**(2,308)**	(484)	(2,179)
Management of liquid resources				
Transfer from/(to) short term bank deposits		**2,874**	(20,883)	(16,478)
Net cash inflow/(outflow) before financing		**440**	(21,810)	(19,945)
Financing				
Issue of shares by Alexander Mining plc		**–**	20,000	20,000
Issue of shares by Alexander Gold Group Limited		**–**	3,371	3,371
Share issue costs		**–**	(1,483)	(1,483)
Net cash inflow from financing		**–**	21,888	21,888
Increase in cash	4	440	78	1,943

Notes to the Interim Financial Information

For the six months ended 30 June 2006

1. Basis of preparation

The interim financial information set on pages 4 to 9 has been prepared on a consistent basis and using the same accounting policies as were applied in drawing up the Company's statutory financial statements for the year ended 31 December 2005, except as set out below.

The financial information for the six months ended 30 June 2005 and 30 June 2006 is unaudited. In the opinion of the directors the financial information for these periods presents fairly the financial position, results of operations and cash flows for the periods in conformity with generally accepted accounting principles. The financial period for the year ended 31 December 2005 has been derived from the Group's audited financial statements for that period as filed with the Registrar of Companies and does not constitute the statutory financial statements for that period. The auditors' report on the statutory financial statements for the year ended 31 December 2005 was unqualified and did not contain any statement under Section 273 (2) or (3) of the Companies Act 1985.

Pro forma information

The Company was incorporated on 8 February 2005 and on 22 March 2005 acquired Alexander Gold Group Limited ('AGGL') by way of a share for share exchange. This acquisition has been consolidated in accordance with the merger accounting principles set out in Financial Reporting Standard 6 and Schedule 4(A) to the Companies Act 1985, which requires consolidated financial information to be presented as if the companies had been combined throughout the financial period. Accordingly, the comparative financial information for the periods ended 30 June 2005 and 31 December 2005 includes the results and cash flows of AGGL from 1 January 2005. This is presented as pro forma information because it includes a period prior to the formation of the Company.

Intangible fixed assets

Intangible fixed assets represent costs associated with mineral exploration and investments, which are capitalised on a project-by-project basis, pending determination of the feasibility of the project. Costs incurred include appropriate technical and administrative expenses but not general overheads. If an exploration project is successful, the related expenditures will be transferred to mining assets and amortised over the estimated life of the commercial ore reserves on a unit of production basis. Where a project is relinquished, abandoned, or is considered to be of no further commercial value to the Group, the related costs are written off.

Adoption of FRS 20

The Group has applied the requirements of FRS 20 (share based payments), in accordance with the transitional provisions, to all equity instruments granted after 7 November 2002 and unvested at 1 January 2006.

The Group issues share based payments to certain individuals, which are measured at fair value at date of grant. The fair value determined at the grant date is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is measured by use of either a binomial or a Black-Scholes valuation model, whichever is more appropriate to the instrument granted. The expected life of the instrument used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Notes to the Interim Financial Information continued

For the six months ended 30 June 2006

The adoption of FRS 20 has resulted in a change in the accounting policy for share based payments. Until 31 December 2005 the provision of share options to individuals did not result in a charge in the profit and loss account. A prior year adjustment has been made to the financial information set out for the period ended 30 June 2005 and 31 December 2005 to apply charges to the Profit and Loss Account for share options granted at these dates.

Between 23 March 2005 and 29 September 2005 the Company granted 9,183,333 share options in six tranches at an exercise price of £0.30 each. A total of 8,683,333 options had not vested at 1 January 2006 and, in accordance with FRS 20, have been valued at between 6.1p and 12.4p each.

Publication of non-statutory accounts

The financial information set out in this Interim Report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985.

Copies of this report are being sent to all shareholders. Additional copies are available from the Company's office at 35 Piccadilly, London, W1J 0DW or the Company's website.

2. Loss per share

The calculation of loss per share is based on a loss of £1,530,000 for the period ended 30 June 2006 (30 June 2005: loss of £540,000; 31 December 2005: loss of £1,260,000) and the weighted average number of shares in issue in the period to 30 June 2006 of 134,534,667 (30 June 2005: 99,719,852, 31 December 2005: 117,127,000). There is no difference between the diluted loss per share and the loss per share presented.

3. Net cash outflow from operating activities

	Six months ended 30 June 2006 £'000	Restated period ended 30 June 2005 £'000	Restated period ended 31 December 2005 £'000
Operating loss	**(1,937)**	(708)	(1,889)
Depreciation and amortisation charge	**18**	3	36
Decrease/(increase) in debtors	**191**	(43)	(299)
Increase/(decrease) in creditors	**207**	(19)	54
Foreign exchange loss/(gain) on cash balances	**287**	(4)	(20)
Write down of intangibles	**405**	–	–
Share option and share settled costs	**237**	109	342
Net cash outflow from operating activities	**(592)**	(662)	(1,776)



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