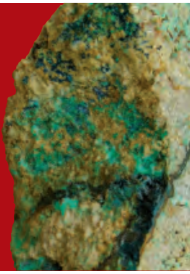
Interim Report and Accounts 2007



Alexander Mining plc

Alexander Mining plc

Alexander Mining is an AIM listed mining company with a reputation for strong technical management, allied with financial markets' expertise and experience.

The Company's activities are directed towards the objective of becoming a low cost, highly profitable and diversified mid-tier base and precious metals mining company.

This will be achieved through a strategy combining exploration of its existing properties, which may lead to economic development thereof, and the acquisition of advanced projects and producing operations.

Highlights

- Good progress made with feasibility study on Leon copper project in northern Argentina
- AmmLeach™ a new ammonia heap leaching process developed at Leon, with significant commercial potential for use on other base and precious metals
- Leon regional exploration programme priority target is Arbol Solo, where encouraging trenching and diamond drilling results have been reported
- Metals market conditions and outlook remain favourable
- Strong cash position totalling £11.7 million at the end of June

Matt Sutcliffe
Chairman and CEO

Chairman's statement

I am pleased to report on Alexander Mining plc's interim results for the six months ended 30 June 2007.

Leon Copper Project

The Company's focus remains its Leon copper project in northwest Argentina. A feasibility study is being compiled internally by Alexander's senior technical personnel, which reviews and summarises the studies carried out by specialist consultants and contractors.

We are delighted with the support that we have received at the local, provincial and national level. Moreover, consistent with our policy of having a social licence to operate we have maintained an ongoing community relations programme, including local press conferences, presentations and site visits. We have continued our policy of sourcing goods and services locally and employing local workers and national professionals.

AmmLeach™ technology

In the course of conducting the feasibility study work at Leon, Alexander has developed a new ammonia heap leaching process, which it has named AmmLeach™. Not only does AmmLeach™ have specific benefits for treating the Leon copper oxide deposit but it also has potentially significant advantages for treating other copper oxide and base metals deposits, especially those deposits where existing mineral processing methods do not work or are uneconomic. These advantages include operational, economic and environmental criteria.

In order to maximise the commercial value of its intellectual property (IP), Alexander has filed a provisional patent and AmmLeach™ trade mark application. In addition, it has incorporated a wholly owned subsidiary, AmmLeach Limited, to develop and commercialise the technology. Preliminary work has commenced on the application of the AmmLeach™ process to other base metals.
In particular, the initial laboratory testwork results on zinc have been highly promising and have the potential for a significant breakthrough in the development of a new low cost solvent extraction, electro-winning processing route.

The AmmLeach™ process has major commercial potential. Approximately 40% of the world's copper is produced using the acid heap leaching method and the price of acid is at record highs. The AmmLeach™ process can significantly reduce the operating cost of certain heap leaching projects. In addition, it has the potential for a major breakthrough in the processing of previously untreatable zinc oxide deposits, with the development of the first heap leach zinc mines.

Exploration
The short term focus of the regional exploration programme at Leon has been to identify and delineate economic and easily accessible satellite copper deposits. Several targets have been generated and, currently, the most promising prospect is Arbol Solo, where encouraging trenching and diamond drilling results have been reported.

In northern Peru, at the Molinetes gold property, we are continuing to work with the local community to reach an agreement to commence the first phase of the exploration work recommended by geological consultants, ACA Howe, after visiting the property. The recommended work includes detailed sampling, mapping and trial geophysical and soil surveys in the area of reported high grade gold artisanal mining. We will also do reconnaissance mapping and sampling and geophysical and soil surveys if warranted elsewhere on the licence. Follow-up drilling of targets identified in Phase 1 will be conducted in Phase 2.

Financial Review
This is the first financial report prepared under the principles of International Financial Reporting Standards (IFRS). Previously, Alexander Mining plc prepared financial statements in accordance with UK Generally Accepted Accounting Principles (UK GAAP). The impact of the transition to IFRS, together with details of the transition process, is set out on pages 9 to 15.

The Company's cash balance at 30 June totalled £11.7 million. A total of £2.3 million has been spent in the six months ended 30 June 2007, the majority of which relates to the continuing work on the company's various projects.

Outlook
Despite the recent turbulence in world financial markets, we remain sanguine about the impact on the generally positive fundamentals for the global economy and hence metals' markets. Global base metals' demand growth, especially from China and, increasingly, India remains healthy and supply is still struggling to keep up.

Our employees continue to be highly dedicated and hard working and I would like to thank them and my fellow directors, consultants and advisors. The next few months will be exciting times for the Company and we look forward to reporting in due course.

Matt Sutcliffe
Chairman and CEO

14th September 2007

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 2007 which comprises the consolidated income statement, the consolidated balance sheet and 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 in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 reached.

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 AIM Rules of the London Stock Exchange which require that it must be prepared in a form consistent with that which will be adopted in the next 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 for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and 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 International Standards on Auditing (UK and Ireland) 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 2007.

PKF (UK) LLP
Registered Auditors
London, UK

14th September 2007

Consolidated income statement

For the six months ended 30 June 2007

	Notes	Six months ended 30 June 2007 £'000	Six months ended 30 June 2006 £'000	Year ended 31 December 2006 £'000
Continuing operations				
Revenue		**–**	–	–
Cost of sales		**–**	–	–
Gross profit		**–**	–	–
Administrative expenses		**(1,142)**	(1,533)	(2,511)
Exploration and evaluation expenses	3	**(345)**	(405)	(931)
Operating loss	2	**(1,487)**	(1,938)	(3,441)
Interest receivable		**316**	407	784
Interest payable and similar charges		**(127)**	–	(669)
Loss on ordinary activities before taxation		**(1,298)**	(1,531)	(3,326)
Tax on loss on ordinary activities		**(34)**	–	(20)
Loss for the period		**(1,332)**	(1,531)	(3,346)
Basic and diluted loss per share (pence)	5	**(0.99)p**	(1.14)p	(2.49)p

Consolidated balance sheet

For the six months ended 30 June 2007

	Notes	As at 30 June 2007 £'000	As at 30 June 2006 £'000	As at 31 December 2006 £'000
Assets				
Property, plant & equipment		**134**	198	167
Intangible assets	3	**5,455**	3,846	4,260
Available for sale investments		**154**	198	151
Total non-current assets		**5,743**	4,242	4,578
Other receivables and prepayments		**178**	290	222
Cash and cash equivalents		**11,699**	16,279	13,998
Total current assets		**11,877**	16,569	14,220
Total assets		**17,620**	20,811	18,798
Equity				
Issued share capital	4	**13,453**	13,453	13,453
Share premium	4	**11,850**	11,850	11,850
Other reserves	4	**(1,910)**	(1,945)	(2,002)
Retained losses	4	**(6,210)**	(3,063)	(4,878)
Total equity		**17,183**	20,295	18,423
Liabilities				
Trade and other payables		**437**	516	375
Total current liabilities		**437**	516	375
Total equity and liabilities		**17,620**	20,811	18,798

Consolidated statement of changes in shareholders' equity

For the six months ended 30 June 2007

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained losses £'000	Total equity £'000
As at 1 January 2006	13,453	11,850	(2,150)	(1,532)	21,621
Loss for the period	–	–	–	(1,531)	(1,531)
Exchange loss on foreign currency net investments	–	–	(130)	–	(130)
Gain on available for sale investments	–	–	98	–	98
Total income and expense recognised directly in equity	–	–	(32)	(1,531)	(1,563)
Total recognised income and expense	–	–	(32)	(1,531)	(1,563)
Share option costs recognised in reserves	–	–	237	–	237
As at 30 June 2006	13,453	11,850	(1,945)	(3,063)	20,295
Loss for the period	–	–	–	(1,815)	(1,815)
Exchange loss on foreign currency net investments	–	–	(269)	–	(269)
Gain on available for sale investments	–	–	(47)	–	(47)
Total income and expense recognised directly in equity	–	–	(316)	(1,815)	(2,131)
Total recognised income and expense	–	–	(316)	(1,815)	(2,131)
Share option costs recognised in reserves	–	–	259	–	259
As at 31 December 2006	13,453	11,850	(2,002)	(4,878)	18,423
Loss for the period	–	–	–	(1,332)	(1,332)
Exchange loss on foreign currency net investments	–	–	(80)	–	(80)
Gain on available for sale investments	–	–	3	–	3
Total income and expense recognised directly in equity	–	–	(77)	(1,332)	(1,409)
Total recognised income and expense	–	–	(77)	(1,332)	(1,409)
Share option costs recognised in reserves	–	–	169	–	169
As at 30 June 2007	13,453	11,850	(1,910)	(6,210)	17,183

Consolidated statement of cash flows

For the six months ended 30 June 2007

	Six months ended 30 June 2007 £'000	Six months ended 30 June 2006 £'000	Year ended 31 December 2006 £'000
Cash flows from operating activity			
Operating loss	**(1,487)**	(1,938)	(3,441)
Depreciation and amortisation charge	**34**	18	42
Decrease/(increase) in other receivables and prepayments	**(22)**	191	210
Increase/(decrease) in trade and other payables	**68**	207	172
Share option charge	**168**	237	497
Intangible fixed assets written-off or provided for	**345**	405	931
Income taxes paid	**(35)**	–	(3)
Net cash outflow from operating activities	**(929)**	(880)	(1,592)
Cash flows from investing activities			
Interest received	**386**	466	887
Acquisition of property, plant and equipment	**(52)**	(26)	(84)
Acquisition of intangible assets	**(1,569)**	(2,282)	(3,512)
Net cash outflow from investing activities	**(1,235)**	(1,842)	(2,709)
Net decrease in cash and cash equivalents	**(2,164)**	(2,722)	(4,301)
Cash and cash equivalents at beginning of period	**13,998**	19,000	19,000
Exchange differences	**(135)**	1	(701)
Cash and cash equivalents at end of period	**11,699**	16,279	13,998

Notes to the interim financial statements

For the six months ended 30 June 2007

1. Basis of preparation

IFRS

The interim financial statements have been prepared on the basis of the recognition and measurement requirements of International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and implemented in the UK. Previously, Alexander Mining plc prepared financial statements in accordance with UK Generally Accepted Accounting Principles (UK GAAP). As the 2007 interim financial statements include comparatives for 2006, the Group's date of transition to IFRS was 1 January 2006 and the 2006 comparatives are restated according to IFRS.

Details of the accounting policies applied in the preparation of the interim financial statements are set out on pages 16 to 20. An explanation of how the transition to IFRS has affected the reported financial position, results and cash flows of the Group is provided on pages 12 to 15.

The Group's first IFRS annual financial statements will be prepared for the year ending 31 December 2007. The IFRS interim financial statements do not include all the information required for full IFRS annual financial statements.

The financial information for the six months ended 30 June 2007 and 30 June 2006 is unaudited. The comparative figures for the year ended 31 December 2006 were derived from the Group's audited financial statements for that period as filed with the Registrar of Companies as restated for IFRS. It does not constitute the financial statements for that period. Those accounts received an unqualified audit report which did not contain any statement under sections 237(2) or (3) of the Companies Act 1985.

2. Segment reporting

Business segments

The Group has only one business segment, namely the exploration for and development of mineral projects. This is considered to be the primary reporting segment for the Group.

Notes to the interim financial statements

For the six months ended 30 June 2007

3. Intangible fixed assets

	Six months ended 30 June 2007 £'000	Six months ended 30 June 2006 £'000	Year ended 31 December 2006 £'000
Deferred exploration costs			
Cost and net book value:			
At beginning of period	4,260	2,120	2,120
Additions	1,617	2,224	3,233
Written-off	(345)	(405)	(610)
Provided	–	–	(321)
Exchange difference	(77)	(93)	(162)
At end of period	5,455	3,846	4,260

Costs associated with the Group's Trinidad project were written-off during the six months ended 30 June 2007.

4. Capital and reserves

Share capital and share premium

At 30 June 2007 the Company's issued share capital comprised 134,534,667 Ordinary Shares of £0.10 each. No shares have been issued in the period (30 June 2006 and 31 December 2006: nil).

Other reserves

Other reserves comprise the following:

- The merger reserve, totalling £(2,487,000) (30 June 2006 and 31 December 2006: £(2,487,000)), arose from the Company's acquisition of Alexander Gold Group Limited on 22 March 2005. As permitted by IFRS 1 this acquisition has not been restated under the terms of IFRS 3 and was accounted for in accordance with the merger accounting principles of UK GAAP.
- The share option reserve, totalling £1,002,000 (30 June 2006: £574,000; 31 December 2006: £833,000), includes an expense based on the fair value of share options issued since 7 November 2002 that had not vested by 1 January 2006. The Company did not issue any share options during the period.
- The translation reserve, totalling £(479,000) (30 June 2006: £(130,000); 31 December 2006: £(399,000)), comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that do not have a Sterling functional currency.
- The fair value reserve totalling £54,000 (30 June 2006: £98,000; 31 December 2006: £51,000) comprises the fair value adjustment on the revaluation of the Company's available for sale investments.

5. Loss per share

The calculation of loss per share is based on a loss of £1,332,000 for the period ended 30 June 2007 (30 June 2006: £1,531,000; 31 December 2006: £3,346,000) and the weighted average number of shares in issue in the period to 30 June 2007 of 134,534,667 (30 June 2006 and 31 December 2006: 134,534,667). There is no difference between the diluted loss per share and the loss per share presented.

At 30 June 2007 there were 11,058,333 (30 June 2006: 9,183,333; 31 December 2006: 11,058,333) share options in issue that could have a potentially dilutive effect on the basic earnings per share in the future.

Transition to IFRS

The Group has adopted IFRS with effect from 1 January 2007. The directors have elected a transition date of 1 January 2006 as this is the start date for which the Group will present full comparative information under IFRS in the 2007 Annual Report and Accounts.

Basis of transition

The accounting policies set out on pages 12 to 20 have been applied in preparing the restatement of the financial statements for the year ended 31 December 2006 and in the preparation of an opening IFRS balance sheet at 1 January 2006 (the Group's date of transition).

In preparing its opening IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its previous basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to IFRS has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

IFRS 1 exemptions

The Group has elected to apply the following exemptions from full retrospective application.

a) Business combinations: The Group has chosen not to restate business combinations prior to 1 January 2006 in accordance with IFRS 3.
b) Fair value or revaluation as deemed cost: The Group has chosen not to restate items of property, plant and equipment to fair value at the transition date.
c) Cumulative translation differences: The Group has elected to set the previously accumulated translation difference to zero at the date of transition.
d) Share based payments: The Group has elected to apply IFRS 2 only to those options that were granted after 7 November 2002 but that had not vested by 1 January 2006.

Effects of adopting IFRS on the Group's accounting policies

The adoption of IFRS 6 has resulted in the directors reclassifying part of the amounts previously included within deferred exploration costs from intangible fixed assets to tangible fixed assets as a result of the guidance set out in that standard.

The adoption of IAS 21 has resulted in a change to the method of translating the Group's activities in Argentina for the consolidated financial statements. Under UK GAAP these activities were considered to be a direct extension of the operations of Alexander Gold Group Limited and were translated using the temporal method. Under the guidance set out in IAS 21 these activities are considered to have an US Dollar functional currency and the financial statements are translated to the Group's presentation currency using the closing exchange rate at the balance sheet date and average exchange rate for the period as defined in IAS 21.

The adoption of IAS 39 has resulted in the Group revaluing available for sale financial assets at each period end. Valuation changes are recognised immediately in the Statement of Changes in Shareholders' Equity. Previously, such investments were carried at the lower of cost and net realisable value.

1. Reconciliation of equity

	Equity as reported under UK GAAP £'000	Re-classification of tangible fixed assets (note 1) £'000	Fair value of available for sale investments (note 2) £'000	Change of translation method (note 3) £'000	Equity as restated under IFRS £'000
1 January 2006					
Property, plant & equipment	73	156	–	1	230
Intangible assets	2,253	(156)	–	23	2,123
Available for sale investments	100	–	–	–	100
Other net assets	19,171	–	–	–	19,171
Total equity at 1 January 2006	21,597	–	–	24	21,621
30 June 2006					
Property, plant & equipment	54	144	–	–	198
Intangible assets	3,931	(144)	–	59	3,846
Available for sale investments	100	–	98	–	198
Other net assets	16,053	–	–	–	16,053
Total equity at 30 June 2006	20,138	–	98	59	20,295
30 December 2006					
Property, plant & equipment	54	115	–	(2)	167
Intangible assets	4,716	(115)	–	(341)	4,260
Available for sale investments	100	–	51	–	151
Other net assets	13,845	–	–	–	13,845
Total equity at 31 December 2006	18,715	–	51	(343)	18,423

Transition to IFRS

Notes to the reconciliation of equity

1) In accordance with IFRS 6, amounts relating to deferred exploration costs have been reclassified from Intangible fixed assets to Tangible fixed assets.
2) In accordance with IAS 39, available for sale investments have been recognised as assets at fair value, increasing Non-current investments and the Fair value reserve.
3) In accordance with IAS 21, the Group's operations in Argentina have been translated using the closing exchange rate for assets and liabilities and the average exchange rate for income and expenses with all exchange differences recognised directly in equity within the Translation Reserve. Under UK GAAP these operations were translated using the actual exchange rate ruling at the date of the transaction and exchange differences were recognised in the income statement.
4) The Group has elected to set the previously accumulated foreign currency translation adjustments to zero at the date of transition. At 30 June 2006 and 31 December 2006 foreign currency translation adjustments totalling £130,000 and £399,000 respectively have been reclassified from Retained Losses to the Translation Reserve.

   The effect of the above adjustments on retained losses is as follows:

	1 January 2006 £'000	30 January 2006 £'000	31 December 2006 £'000
As reported under UK GAAP	(1,556)	(3,252)	(4,934)
Adjustments to retained earnings brought forward	–	24	24
Adjustments to the income statement	(8)	(1)	(15)
Foreign currency translation adjustments	32	166	47
Restated in accordance with IFRS	(1,532)	(3,063)	(4,878)

2. Explanation of adjustments to the income statement

On adoption of IAS 21 exchange differences previously recognised in the income statement relating to monetary assets of Argentinean operations have been re-classified as movements in the Translation reserve.
At 1 January 2006, 30 June 2006 and 31 December 2006 these total £8,000, £1,000 and £15,000 respectively.

There are no other differences between the income statement presented under IFRS and the income statement presented under UK GAAP.

3. Explanation of adjustments to the cash flow statement

The movement in liquid resources, which comprise the cash equivalents of the Group, was classified as a cash flow under UK GAAP. Under IFRS, liquid resources have been reclassified as cash equivalents and movements are a component of the increase or decrease in cash and cash equivalents in the year.

The re-classification of deferred exploration costs from Intangible fixed assets to Tangible fixed assets has resulted in expenditure of £25,000 in the period ended 30 June 2006 and £60,000 in the year ended 31 December 2006 being reclassified from Acquisition of Intangible Assets to Acquisition of Property, Plant and Equipment.

There are no other differences between the cash flow statement presented under IFRS and the cash flow statement presented under UK GAAP.

Accounting policies

The principal accounting policies of the Group on the adoption of IFRS are set out below.

Basis of consolidation

i) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is recognised 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.

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

ii) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

iii) Business combinations

Business combinations made prior to 1 January 2006 were accounted for in accordance with the relevant UK GAAP at the time. The transitional requirements of IFRS 1 allow prospective application for all business combinations subsequent to the transition date (1 January 2006). Accordingly these combinations have not been re-stated in accordance with that standard.

For subsequent business combinations, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition. Any excess of the cost of the acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill, which is subsequently tested for impairment rather than amortised. If the cost of the acquisition is less than the fair value of net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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.

Foreign currency

The Company's functional and presentational currency is Sterling rounded to the nearest thousand and is the currency of the primary economic environment in which the Group operates.

i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

ii) Financial statements of foreign operations
On consolidation, the assets and liabilities of the Group's overseas operations that do not have a Sterling functional currency are translated at exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rate for the period. Exchange differences arising are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in the income statement in the period in which the operation is disposed of.

iii) Net investment in foreign operations
Exchange differences arising from the translation of the net investment in foreign operations are taken to the translation reserve. They are released into the income statement upon disposal of the foreign operation.

Financial instruments
i) Investments
Equity financial instruments held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss recognised directly in equity, except for impairment losses. When these investments are sold the cumullative gain or loss previously recognised directly in equity is recognised in the income statement.

ii) Trade and other receivables
Trade and other receivables are not interest bearing and are stated at cost.

iii) Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

iv) Trade and other payables
Trade and other payables are not interest bearing and are stated at amortised cost.

Property, plant and equipment
i) Owned assets
Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy below).

ii) Subsequent costs
The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

iii) Depreciation
Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. Land is not depreciated. The estimated useful lives of all other categories of assets are three years.

The residual value is assessed annually. Gains and losses on disposal are determined by comparing proceeds with carrying amount and are included in the income statement.

Accounting policies

Intangible assets

Deferred exploration and evaluation costs

All costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on a project are written-off as incurred. Costs associated with large scale early stage exploration activity to identify specific targets for detailed exploration and evaluation work are recognised in the income statement as incurred.

Exploration and evaluation costs arising following the acquisition of an exploration licence are capitalised on a project-by-project basis, pending determination of the technical feasibility and commercial viability of the project. Costs incurred include appropriate technical and administrative overheads. Deferred exploration costs are carried at historical cost less any impairment losses recognised.

If an exploration project is successful, the related expenditures will be transferred to mining assets and amortised over the estimated life of the ore reserves on a unit of production basis.

The recoverability of deferred exploration and evaluation costs is dependent upon the discovery of economically recoverable ore reserves, the ability of the Group to obtain the necessary financing to complete the development of ore reserves and future profitable production or proceeds from the disposal thereof.

Impairment

Whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable an asset is reviewed for impairment. An asset's carrying value is written down to its estimated recoverable amount (being the higher of the fair value less costs to sell and value in use) if that is less than the asset's carrying amount.

Impairment reviews for deferred exploration and evaluation costs are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise but typically when one of the following circumstances apply:

i) unexpected geological occurrences that render the resource uneconomic;
ii) title to the asset is compromised;
iii) variations in metal prices that render the project uneconomic; and
iv) variations in the exchange rate for the currency of operation.

Share capital

The Company's ordinary shares are classified as equity.

Share based payment transactions

The Group has applied the requirements of IFRS 2 (share based payments), in accordance with the transitional provisions, to all equity instruments granted after 7 November 2002 which had not vested at 1 January 2006. Directors, senior executives and consultants of the Group have been granted options to subscribe for ordinary shares. All options are share settled.

The fair value of services received in return for share options granted is measured by reference to the fair value of the share options granted, at date of grant, and this is expensed on a straight line basis over the estimated vesting period. This estimate is determined using an appropriate valuation model considering the effects of the vesting conditions, expected exercise period and the payment of dividends by the Company.

Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Expenses

Operating lease payments

Payments made under operating leases are recognised on a straight-line basis over the term of the lease.

Taxation

The charge for taxation is based on the profit or loss for the year and takes into account deferred tax. Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit or loss, and is accounted for using the balance sheet method.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available in the foreseeable future against which the temporary differences can be utilised.

Segment reporting

A segment is a component of the Group distinguishable by economic activity (business segment), or by its geographical location (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Accounting policies

Critical accounting estimates and judgements
The preparation of financial statements under the principles of IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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 current and future periods.

Information about such judgements and estimates is contained in the accounting policies and/or the notes to the interim statement and the key areas are summarised below. Areas of judgement that have the most significant effect on the amounts recognised in the interim financial statements are:

- Capitalisation and impairment of exploration and evaluation costs
- Estimation of share based payment costs

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