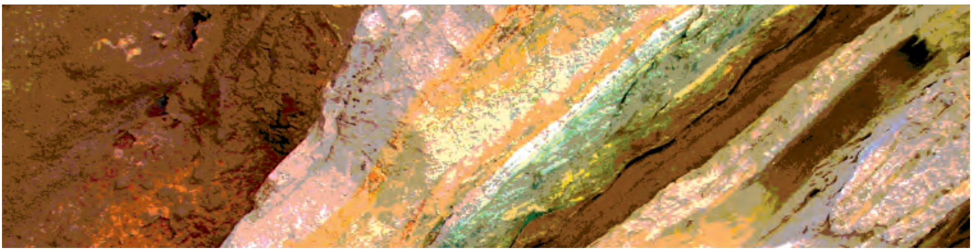
Interim Report and Accounts 2008

Alexander Mining plc



Alexander Mining plc is an AIM listed mining and mineral processing technology 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 mining company.

This will be achieved by the commercialisation of its new proprietary mineral processing technologies, encompassing third party user agreements, and the acquisition of amenable advanced projects and producing operations.

Highlights

> Significant effort being made in the commercialisation of proprietary new AmmLeach® and HyperLeach™ mineral processing technologies.

> Ongoing test-work programmes and discussions with third parties about using the technologies.

> Actively involved in identifying and securing equity interests in amenable base metals deposits.

> The outlook for the global mining industry remains attractive.

> Healthy cash position totalling £5.8 million at the end of June.

As part of our strategy to grow rapidly, Alexander Mining has formed MetaLeach Limited to commercialise our proprietary mineral processing technologies.

MetaLeach™ has technologies with the potential to revolutionise the extraction processes for many base metal deposits.

Chairman's statement

I am pleased to report on Alexander Mining plc's interim results for the six months ended 30 June 2008.

MetaLeach Limited

The Company's most important business activity, via its wholly owned subsidiary, MetaLeach Limited, is the commercialisation of its proprietary new mineral processing technologies, AmmLeach® and HyperLeach™. These technologies, for which provisional patent applications have been made, have the potential to revolutionise the extraction processes for many base metal deposits. These technologies were developed as a result of the Company's successful AmmLeach® pilot plant demonstration work at its Leon copper project in Argentina and subsequent research and development.

The Company continues to believe that the outlook for the international mining industry is favourable. However, considerable rising capital and operating cost pressures prevail. This is especially true for copper production from copper oxide deposits using the sulphuric acid heap leaching solvent extraction and electro-winning (SX-EW) method. Sulphuric acid prices, which in some high acid consuming ores can account for over a third of cash operating costs, have risen several fold in the last few years and are forecast to remain high for the foreseeable future. Accordingly, it is in this environment that our AmmLeach® technology offers significant operating cost advantages for processing high acid consuming copper oxide ores.

Matt Sutcliffe
Executive Chairman

M. I. Sutcliffe

As well as copper oxides, AmmLeach® has excellent potential for developing a new SX-EW process for producing high purity zinc metal at the mine. The zinc process has been trialled successfully on a bench scale and larger scale test-work is imminent. The AmmLeach® process leaches common zinc oxide minerals with high extraction efficiencies and offers a potentially economic processing route for many zinc oxide deposits that are currently economically unviable.

The HyperLeach™ process has been developed for the extraction of base metals, especially copper, zinc, nickel and cobalt, from sulphide ores and concentrates. This is potentially a major breakthrough for the global mining industry as the majority of base metal sulphides are currently concentrated on-site using froth flotation before they are shipped off site to a smelter and refinery for further processing. Higher returns for mine owners can be generated by utilising more on-site processing to produce high value metal products at the mine at competitive operating costs and relatively low capital costs.

The Company has adopted a parallel and two pronged approach in its efforts to commercialise the MetaLeach™ technologies. Firstly, it has been or is in discussion with a large number of third parties about using its technology in exchange for a royalty and/or under a licence fee structure, or indeed a minority project interest. A significant number of confidentiality agreements have been signed with both majors and juniors and eight companies have committed to carry out initial phase metallurgical test-work programmes. Several programmes have been completed and discussions are in progress about the appropriate next stage of test-work.

The Company's second approach, and where it sees excellent potential for significant returns to shareholders, is by identifying and securing equity interests in its own right in amenable base metals deposits. As part of this exercise, it has built a global database of potentially suitable deposits. From this we have prioritised an initial target shortlist and are actively engaged in further evaluation for possible acquisition of an equity interest.

South America Operations
Further to our announcements in the first half of 2008, made in response to the deteriorating mining investment environment in Argentina, we have now cut costs aggressively by reducing all current activity in the country to a nominal level. The Company continues to investigate various possible ways to realise the value of its investment to date, including local and/or national alternative financing involvement, whilst minimising future expenditure requirements to preserve our cash position.

At our Molinetes gold prospect in northern Peru, we are reviewing several alternative ways, including possible joint venture interest, to enable the commencement of initial exploration work.

Financial Review
The Company's cash balance at 30 June totalled £5.8m. Net expenditure during the period totalled £2.6m, of which £1.7m related to exploration, research and development expenditure, including amounts capitalised as intangible fixed assets. Of the remaining £0.9m, £0.2m represented the payment of short term liabilities outstanding at the previous year end, £0.2m represented administrative costs in Argentina, and £0.5m represented administrative costs in London, net of interest receivable.

Outlook
Although world financial markets have been turbulent as the credit crisis unravels, and base metals and mining equities have corrected, there is consensus that the outlook for the mining industry remains attractive and we concur. Accordingly, I am confident about the Company's prospects and we look forward to reporting in due course.

Finally, I would like to thank the Company's employees, directors, consultants and advisers for their continuing support and hard work.

Matt Sutcliffe
Executive Chairman

26 September 2008

Independent review report to Alexander Mining plc

Introduction

We have been engaged by the Company to review the financial information in the half-yearly financial report for the six months ended 30 June 2008 which comprises the consolidated income statement, the consolidated balance sheet and the consolidated cash flow statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in 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 half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union and implemented in the UK. The financial information included in this half-yearly financial report has been prepared using accounting policies consistent with those to be applied in the next annual financial statements.

Our responsibility

Our responsibility is to express to the Company a conclusion on the financial information in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial information in the half-yearly financial report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with the AIM Rules of the London Stock Exchange.

Emphasis of matter – availability of project finance

In forming our opinion, which is not qualified, we have considered the disclosures made in note 1, basis of preparation, concerning the requirement for the Company to raise further funding to complete the development of the Leon copper project. If the Company is unable to secure such additional funding, this may have a consequential impact on the carrying value of the related assets. The outcome of future fundraising cannot presently be determined, and no adjustments to asset carrying value that may be necessary should the Company be unsuccessful have been recognised in the financial information.

PKF (UK) LLP
London, UK

26 September 2008

Consolidated income statement

For the six months ended 30 June 2008

	Notes	Six months ended 30 June 2008 £'000	Six months ended 30 June 2007 £'000	Year ended 31 December 2007 £'000
Continuing operations				
Administrative expenses		**(897)**	(1,142)	(2,122)
Exploration and evaluation expenses		**(1,118)**	(345)	(1,351)
Research and development expenses		**(344)**	–	(410)
Operating loss		**(2,359)**	(1,487)	(3,883)
Investment income		**198**	316	593
Finance costs		**–**	(127)	(144)
Loss on ordinary activities before taxation		**(2,161)**	(1,298)	(3,434)
Tax on loss on ordinary activities		**–**	(34)	(58)
Loss for the period		**(2,161)**	(1,332)	(3,492)
Basic and diluted loss per share (pence)	**2**	**(1.61)p**	(0.99)p	(2.60)p

Consolidated statement of recognised income and expense

For the six months ended 30 June 2008

	Six months ended 30 June 2008 £'000	Six months ended 30 June 2007 £'000	Year ended 31 December 2007 £'000
Exchange differences on translation of foreign operations	**(18)**	(80)	42
(Loss)/gain on available for sale investments	**(24)**	3	(29)
Loss for the period	**(2,161)**	(1,332)	(3,492)
Total recognised income and expense for the period	**(2,203)**	(1,409)	(3,479)

Consolidated balance sheet

As at 30 June 2008

	Notes	As at 30 June 2008 £'000	As at 30 June 2007 £'000	As at 31 December 2007 £'000
Assets				
Property, plant & equipment		**132**	134	178
Intangible assets	3	**7,179**	5,455	6,857
Available for sale investments		**98**	154	122
Total non-current assets		**7,409**	5,743	7,157
Other receivables and prepayments		**172**	178	153
Cash and cash equivalents		**5,809**	11,699	8,442
Total current assets		**5,981**	11,877	8,595
Total assets		**13,390**	17,620	15,752
Equity				
Issued share capital		**13,453**	13,453	13,453
Share premium		**11,850**	11,850	11,850
Merger reserve		**(2,487)**	(2,487)	(2,487)
Share option reserve		**918**	1,002	1,005
Translation reserve		**(375)**	(479)	(357)
Fair value reserve		**(2)**	54	22
Retained losses		**(10,413)**	(6,210)	(8,370)
Total equity		**12,944**	17,183	15,116
Liabilities				
Current liabilities				
Trade and other payables		**405**	437	597
Non-current liabilities				
Provisions		**41**	–	39
Total liabilities		**446**	437	636
Total equity and liabilities		**13,390**	17,620	15,752

Consolidated statement of cash flows

For the six months ended 30 June 2008

	Six months ended 30 June 2008 £'000	Six months ended 30 June 2007 £'000	Year ended 31 December 2007 £'000
Cash flows from operating activity			
Operating loss	**(2,359)**	(1,487)	(3,883)
Depreciation and amortisation charge	**9**	34	51
Increase in other receivables and prepayments	**(21)**	(22)	(20)
(Decrease)/increase in trade and other payables	**(298)**	68	228
Share option charge	**31**	168	172
Intangible fixed assets written-off or provided for	**742**	345	1,351
Income taxes paid	**–**	(35)	(75)
Net cash outflow from operating activities	**(1,896)**	(929)	(2,176)
Cash flows from investing activities			
Interest received	**161**	386	682
Interest paid	**–**	–	(19)
Acquisition of property, plant and equipment	**(7)**	(52)	(238)
Acquisition of intangible assets	**(911)**	(1,569)	(3,768)
Net cash outflow from investing activities	**(757)**	(1,235)	(3,343)
Net decrease in cash and cash equivalents	**(2,653)**	(2,164)	(5,519)
Cash and cash equivalents at beginning of period	**8,442**	13,998	13,998
Exchange differences	**20**	(135)	(37)
Cash and cash equivalents at end of period	**5,809**	11,699	8,442

Notes to the interim financial statements

For the six months ended 30 June 2008

1. Basis of preparation

The interim financial information has 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. The accounting policies and methods of computation used in the preparation of the interim financial information are the same as those used in the Group's audited financial statements for the year ended 31 December 2007.

The financial information in this statement does not constitute full statutory accounts within the meaning of Section 240 of the Companies Act 1985. The financial information for the six months ended 30 June 2008 and 30 June 2007 is unaudited. The comparative figures for the year ended 31 December 2007 were derived from the Group's audited financial statements for that period as filed with the Registrar of Companies. 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.

Going concern and project finance

In common with many mining/exploration companies, the Group raises finance in discrete tranches to fund its activities. When any of the Group's projects move to the development stage specific financing is sought, comprising an appropriate mix of debt and/or equity.

In order to develop the Group's Leon copper project in Argentina, further financing will be required. In light of the current uncertainty regarding the fiscal regime for mining companies in Argentina, the Group is taking a pragmatic view on its options for the scale and associated financing requirements of this development. Dependent on the scale of the development, the Group will raise finance by way of an appropriate mix of debt and equity. There can, however, be no assurance that the Group will be able to obtain adequate financing in the future from either debt finance providers or the equity markets for this purpose or that the terms of such financing will be favourable.

Notwithstanding the above, based on a review of the Group's budgets and cash flows, the directors are satisfied that the Group has sufficient cash resources to continue its operations and to meet its commitments for the foreseeable future. The interim financial information has therefore been prepared on a going concern basis.

2. Loss per share

The calculation of loss per share is based on a loss of £2,161,000 for the period ended 30 June 2008 (30 June 2007: £1,332,000; 31 December 2007: £3,492,000) and the weighted average number of shares in issue in the period to 30 June 2008 of 134,534,667 (30 June 2007 and 31 December 2007: 134,534,667). There is no difference between the diluted loss per share and the loss per share presented.

At 30 June 2008 there were 13,858,333 (30 June 2007: 11,058,333; 31 December 2007: 12,908,333) share options in issue that could have a potentially dilutive effect on the basic earnings per share in the future.

Notes to the interim financial statements

For the six months ended 30 June 2008

3. Intangible fixed assets

	Six months ended 30 June 2008 £'000	Six months ended 30 June 2007 £'000	Year ended 31 December 2007 £'000
Deferred exploration costs			
Cost and net book value:			
At beginning of period	6,857	4,260	4,260
Additions	1,063	1,617	3,978
Written-off[1]	(257)	(345)	(1,316)
Provided[2]	(485)	–	(35)
Exchange difference	1	(77)	(30)
At end of period	7,179	5,455	6,857

[1] Costs associated with the Group's Los Negros and Piedra Blanca prospects in Argentina were written-off during the period.

[2] Costs associated with the Group's Molinetes prospect in Peru were fully provided for during the period.

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