AMUR MINERALS CORPORATION AND ITS SUBSIDIARIES

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2012

Dear Shareholder:

It is with pleasure that I take this opportunity to update shareholders of Amur Minerals Corporation on the Company's successful performance during 2012. At the beginning of 2012, we developed an ambitious plan to continue advancing our Kun-Manie nickel-copper sulphide project toward production. This effort focused on multiple areas including cost efficiency, exploration, engineering studies, corporate finance and licencing. During the course of the year and beyond, these efforts successfully continued to de-risk the project on technical and political fronts. This was a great accomplishment given the challenges of permafrost and the short operating season as well as the political environments relating to Far East Russia and distances from the Moscow–based mining-related agencies. The successes of 2012 are numerous and should only be considered exceptional in light of the fact that most junior exploration companies are cutting exploration programmes, with many adopting a "holding pattern" strategy even as Amur forged ahead because of its strong cash position, dedicated team and the high quality of its Kun-Manie asset.

2012 Highlights

- A total of 7,200 metres of core was drilled and successfully expanded two previously defined resource areas: Ikenskoe and Maly Kurumkon, having a combined total of 299,200 tonnes of nickel and 83,700 tonnes of copper defined prior to the 2012 drill programme. The mineralised strike length of Maly Kurumkon was doubled while the mineral trend at Ikenskoe proved to extend to the south and east. Numerous holes in both areas contained multiple drill intervals in excess of 1.0% nickel. This grade had not been encountered to such an extent in our previous drill programmes.

- Two styles of nickel and copper mineralisation have been identified. Both occur as disseminated sulphide mineralisation, however, one occurs across the licence area but has not yet lead to mineable style mineral whereas, the second is related to the prolific Kurumkon Trend which is a zone two kilometres wide and up to 20 kilometres in length which parallels the southern boundary of our licence. This prolifically mineralised zone is the host of our drilled resources and reserves, thereby representing the Company's prime exploration target.

- Drilling was also completed along the Kurumkon Trend to the east of the Maly Kurumkon deposit at Gorny where a new 500 metre long ore zone was identified. Geochemical sampling and geophysical surveys indicate that this area may prove to be an extension of the Maly Kurumkon deposit located approximately four kilometres to the west. Positive in-fill drilling would make this the longest single mineralised structure within the licence area.

- The cost for drilling has been reduced to the lowest ever incurred at site. This is due to the acquisition of a Boart Longyear LF 70 diamond core rig purchased in late 2010, thereby saving the Company from paying much higher contract drilling costs per metre. The costs were reduced by as much as $75 per metre and the savings have already covered the acquisition cost of the rig as well as providing significantly improved flexibility for drilling programmes.

- Reconnaissance exploration work along the Kurumkon Trend has identified additional targets within the structure in both the east and west directions. These are identified as Chorny Ispelene and Kubuk - Ata – Ataga. The work indicates the prolific mineral host zone is up to 20 kilometres in length, with much of this length yet to be drilled.

- Detailed metallurgical test work was also completed by SGS Minerals in Chita, Russia. Results indicate substantially improved recoveries should be expected during processing of the ore. Improved recoveries were identified for all metals including nickel, copper, cobalt and the PGM's. It was also determined that deleterious slag forming minerals such as MgO can be suppressed further than originally interpreted, thus reducing penalty fees associated with the smelting of the concentrate. The combination of these results indicates that more metal should be recovered per tonne of concentrate than previously accounted for in our prefeasibility study of 2007, hence improving the cash flow models.

- In late 2012, the Company applied for and received an extension on its right to explore the 950 square kilometres Kun-Manie licence to 31 December 2014.

- Concurrently, the Company also worked with various Moscow, Blagoveshchensk and Khabarovsk based Federal agencies in advancing its application for a mining licence on the primary target area of the Kurumkon Trend. Extensive work ultimately led to Rosnedra providing the Company, post year end, with an estimated cost of US$818,000 to convert the exploration area of about 30 square kilometres to a mining licence. The payment will be due upon final award of the mining licence. On award, the Company will maintain its right to explore the unconverted portion of the exploration licence, allowing for additional discoveries and resource expansions to be added at a later date.

- At the beginning of 2012, the Company was in a strong cash position, having more than US$4 million in the bank. Based on the financing agreement with Lanstead Capital LLP (Lanstead), monthly cash payments were made to the Company using an orderly market approach. With these cash payments and the Company completing an additional fund raising in February 2012 for US$7.67 million (£4.8 million), the Company was able to advance the project even as other exploration juniors were reducing expenditures and even shutting down operations.

- At year end, the Company's cash in hand was approximately US$2.0 million and at today's date. stands at an unaudited US$2.1 million with Lanstead payments approximately balancing Company expenditures. The highest cash burn period for the Company is the winter and early spring season when summer inventory supply purchases and materials are ordered and delivered to our rail station located along the Baikal Amur rail system.

In conclusion, the Company is extremely pleased to have had a successful year while many organisations were maintaining a holding pattern. With all of the newly acquired information, the Company is now undertaking resource and reserve updates to be followed by updates on the 2007 prefeasibility study. Work will also be undertaken to evaluate alternative power and road access options to the site. While this work is underway, the Company will continue to drill and explore the Kurumkon Trend and simultaneously pursue the granting of a mining licence. Drilling was initiated at Kubuk post year end, and preliminary results have already indicated that we may have a fifth deposit by the end of the 2013 drill campaign.

Geological Setting

Historical exploration has established that nickel and copper sulphide mineralisation within the confines of the exploration licence typically occur in association with a rock called "websterite", which occurs as a series of layered shallowly dipping bedded horizons enriched in sulphide minerals. Reconnaissance work completed throughout the licence has identified the presence of numerous new areas enriched in nickel and copper which have not yet been drilled.

Detailed mapping and sampling and petrographic studies have indicated that the mineralisation occurs in two geologic settings. The primary setting that hosts the better mineralisation containing economic grades of metal is an area described as the Kurumkon Trend. Detailed exploration has focused on this two kilometre wide belt which extends for a defined distance of nearly 20 kilometres along and parallel to the southern boundary of the exploration licence. The zone contains numerous layers of websterite, of which a selected few contain economic mineralisation. The mineralised horizons are shallow dipping zones which often out crop at the surface and can be readily mapped. Typically, the zones range in thickness from a few metres to more than 60 metres in thickness and present open cast mining targets within and along the Kurumkon Trend.

Historical drilling in several areas has confirmed that the zones extend down dip to depths of more than 250 metres and along strike for several hundred metres. This trend presents the Company with its primary target within which drilling has defined JORC resources and reserves on a prolific basis. Abundant targets remain undrilled and could well provide additional resources and reserves as drilling continues into the foreseeable future. Drilling continues along this trend and has confirmed that zones could be substantially larger than originally reported. Presently, SRK Consulting is updating the resource and reserve estimates by incorporating new drilling and trenching data assembled since 2007.

Mineralisation consists of pentlandite, nickeliferous pyrhotite and pyrite, while copper mineralisation occurs as chalcopyrite and other minor copper sulphide minerals. Typically, mineralisation occurs as disseminations and veinlets up to 10 millimetres in thickness. Generally, the higher the sulphide content, the higher the contained nickel and copper grades.

The anomalous nickel and copper geochemical anomalies that are located external to the Kurumkon Trend have yet to provide drill targets as persuasive as those of the Trend. However, the Company will continue to assess these areas of anomalous values to ensure that a high quality target is not overlooked.

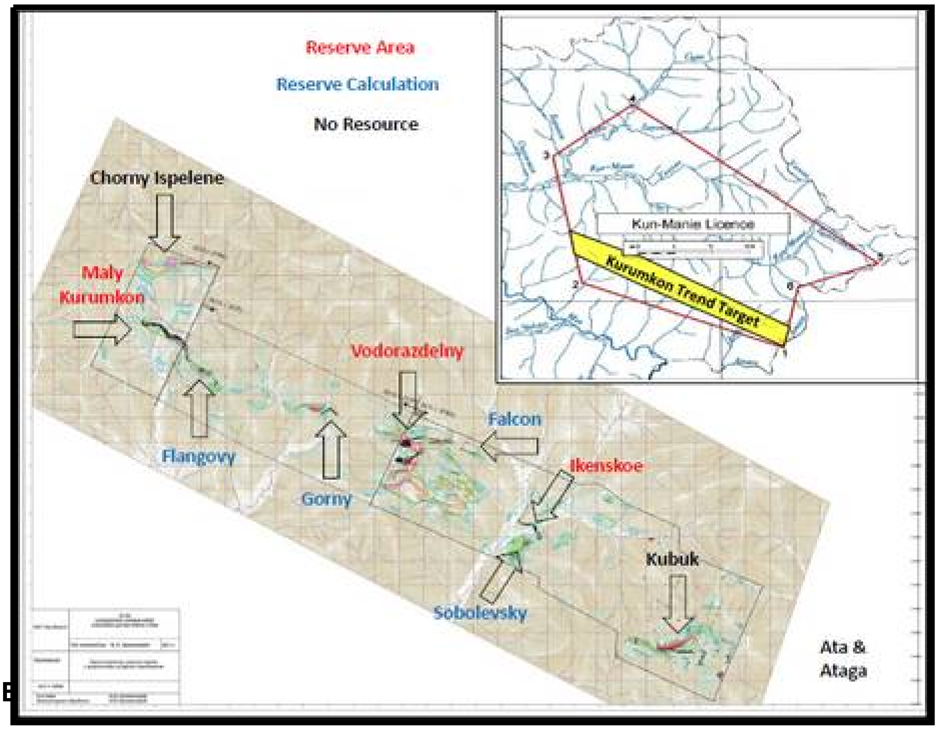
Geography

Working within Russia and maintaining the combined Russian and western standards of exploration protocols has led to numerous and often difficult instances in pronouncing project area names and nomenclature that often confuse our shareholders. The key to understanding the location of our deposits and anomaly names can be simplified. Typically, an area is assigned a geographical name within a drainage area and is given the name of the stream that is located in the immediate area. This protocol often results in the assignment of multiple names for a single, continuous, mineralised ore body. An example of this is observed with the ore bodies named “Maly Kurumkon” and “Flangovy”. These names apply to a single continuous mineralised zone within which mining has no defined boundaries, but when reporting resources and reserves within the Russian system two names are applied, inferring that they are two distinct deposits when in actuality, Maly Kurumkon and Flangovy are the same deposit.

Given the potential for confusion, we take this opportunity to delineate the geography of our prolific ore host Kurumkon Trend and de-mystify the nomenclature of our project. Exploration on the Kurumkon Trend indicates that it is approximately 20 kilometres long and has potential to be even longer extending further to the west. Within this Trend, there are presently 11 identified targets and deposits. The Trend can be sub-divided into three geographic operating areas described as the western, central and eastern areas. The division is based on the presence of two large scale faults breaking the Trend up into three distinct blocks.

The western area is approximately eight kilometres in length and contains two anomalies and two deposits defined by drilling as of the end of 2012. The central area is approximately four kilometres in length and contains one drill defined deposit which comprises two distinct adjacent ore bodies and one anomaly. The eastern area is approximately eight kilometres in length and contains two deposits defined by drilling and three distinct anomalies, one which is presently being drilled. The graphic below presents the deposits and anomalies by name with codes indicating the level of exploration completed within each. Deposits containing JORC estimated reserves as at 2007 are labelled in red, areas identified in blue have been drilled and mineral resources will be estimated in the near future by incorporating the newly acquired 2012 drill information. The areas considered to be anomalies are identified in black.

Specifically, the western area includes the anomalies and drilled deposits including Chorny Ispelene, Maly Kurumkon, Flangovy and Gorny. The central area contains Vodorazdelny and Falcon and is bounded by major north-south oriented faults located to the east and west of the two deposits. The eastern area contains the Ikenskoe and Sobolevsky deposits, and Kubuk and Ata – Ataga are defined as anomalies outlined by the exploration programme completed in 2012.



Exploration since the acquisition of the licence nearly ten years ago has resulted in the identification of the Company's prime target and the key source of resource potential, the Kurumkon Trend. Work completed along this 20 kilometre long trend varies from reconnaissance only to completely drilled reserves. Often the exploration results suggest that some of the more widely space drilled areas may link up into continuous larger ore zones. Such areas require infill drilling in the near future. Below is a summary of our 2012 work programme;

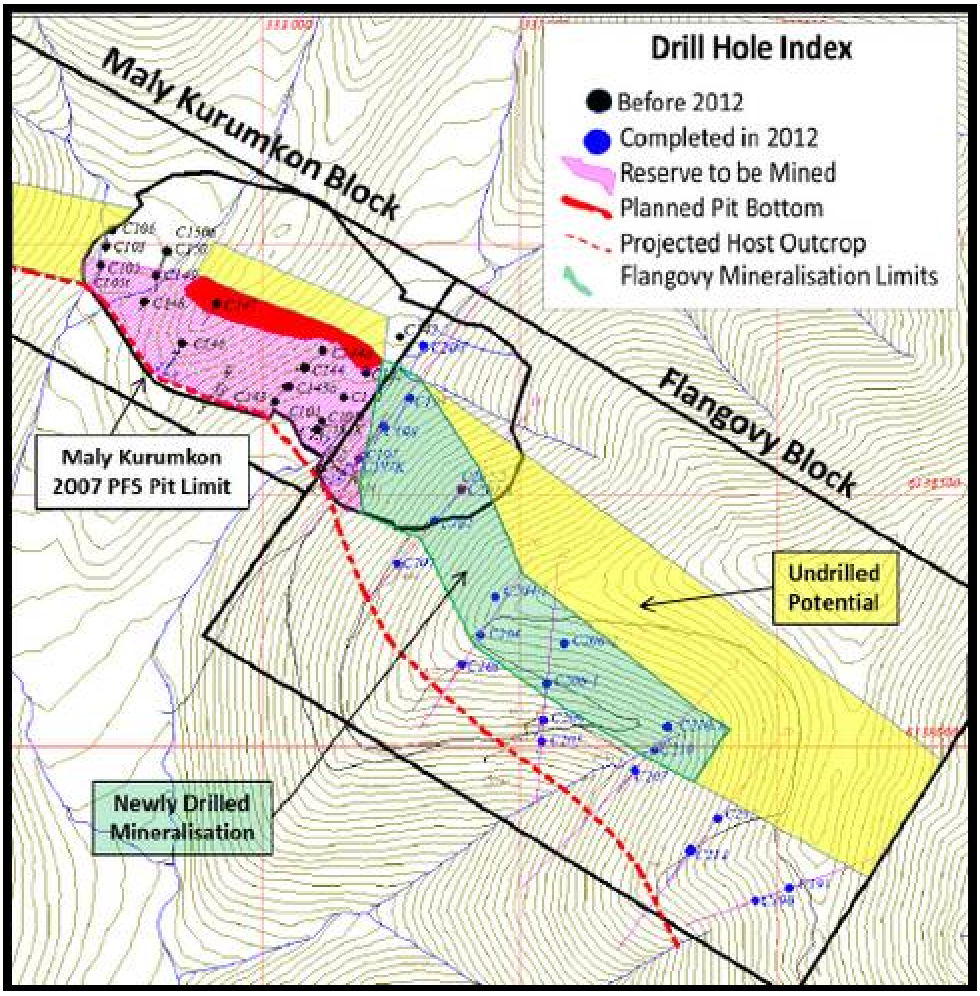
The 2012 exploration programme comprised drilling 47 holes for a total of 7,200 metres, trenching, extensive soil geochemical and rock chip sampling, ground magnetic geophysical surveys, and geological reconnaissance along the Kurumkon Trend.. Drilling was completed immediately to the east of the Maly Kurumkon deposit and further to the east at Gorny, as well as to the south and east of the Ikenskoe deposit area.

Work within the western area has established that mineralisation occurs within an eight kilometre long area. Reconnaissance along the Kurumkon Trend via geophysical surveys, detailed mapping and sampling indicates that anomalous mineralisation and host rocks are present over a continuous distance of nearly six kilometres. Within this reconnaissance area, which includes Maly Kurumkon, Flangovy and Gorny, drilling has been completed on approximately 50% of the target strike length. More drilling is required between Maly Kurumkon and Gorny to determine whether the mineralisation represents a single continuous mineralised body.

Initially during the 2012 field season, four holes were drilled immediately to the east of the Maly Kurumkon deposit in the area called Flangovy. Located approximately 100 metres to the east of pre-existing drill holes, potentially economic grades of nickel and copper where intersected within a mineralised zone ranging from 16 to 26 metres in thickness and average grades of 0.72% nickel and 0.23% copper, using a 0.20% nickel cut-off grade. These results confirmed that mineralisation could continue from the Maly Kurumkon deposit through the Flangovy block.

The drilling programme continued with a total of 4,149 metres of drilling being completed in 23 holes over a strike length of 1.5 kilometres. Analytical results from core samples confirmed that the Maly Kurumkon mineralised zone extends eastward along strike for a total of two kilometres, thus doubling the previously defined length reported in the 2007 prefeasibility study. The 2012 analytical results contained higher nickel and copper grades than estimated at Maly Kurumkon with a significant number of mineralised intervals recording in excess of 1.0% nickel. These results suggest that it may be prudent for the Company to consider underground production in combination with the proposed open pit configuration.

The comprehensive drill results from Maly Kurumkon and Flangovy indicate that the Maly Kurumkon deposit is significantly larger than previously indicated and that the 2012 drilling has substantially increased the resource base in both tonnage and grade. With the definition of higher grade material that may be mined early in the operation's plan the overall economics of the project may be significantly improved. It is also important to note that the historical and 2012 drill results have not identified the limits of the mineralisation to the east, to the west or down dip, suggesting that there is potential to identify resources in future with step-out exploration drilling. The figure below presents a plan view of the drilling completed through 2012 at Maly Kurumkon.

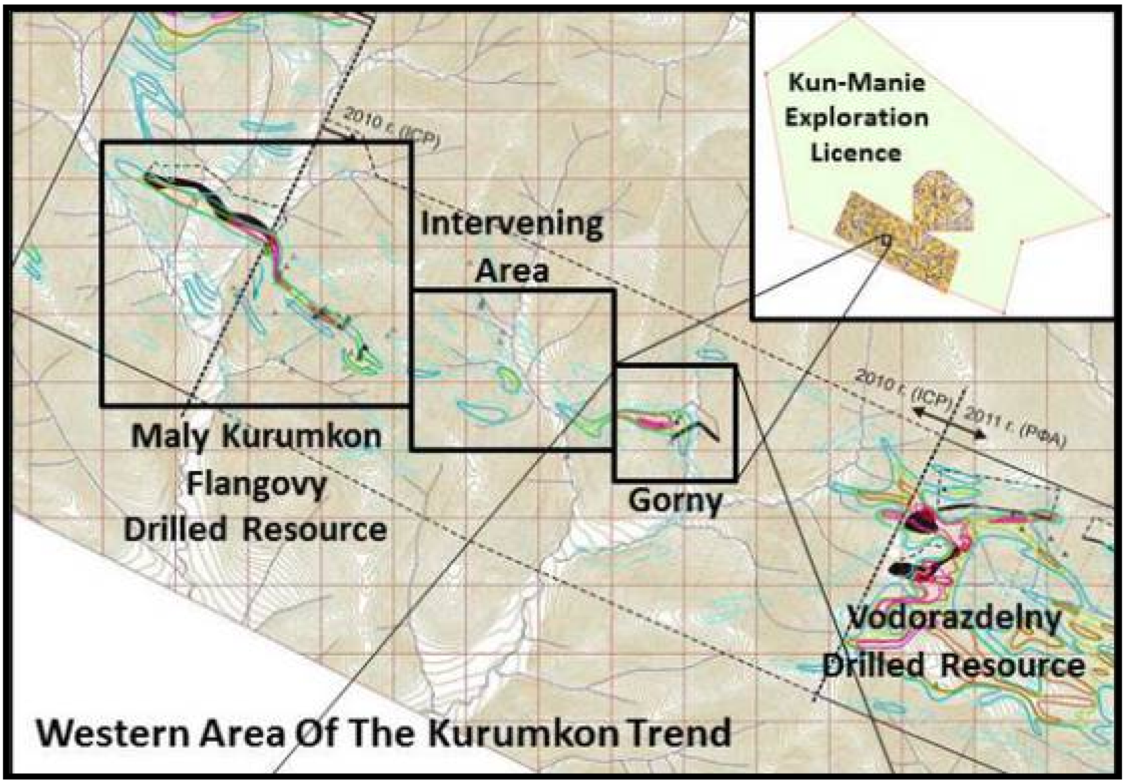


SRK Consulting UK is compiling an updated JORC resource estimate that will include all additional drilling completed since 2007. It is anticipated that the final results will substantially increase the 2007 Maly Kurumkon resource:

	Tonnage (Mt)	*Ni (%)*	*Ni (t)*	*Cu (%)*	*Cu (t)*
Indicated	15.0	0.49	73,700	0.13	19,900
Inferred	11.2	0.56	62,800	0.16	17,800
Total	26.2	0.52	136,500	0.14	37,700

The now outdated mineable reserve stands at an estimated 17.5 million ore tonnes of mineralisation, averaging approximately 0.50% nickel and 0.15% copper.

Drilling results from the easternmost holes at Maly Kurumkon / Flangovy intersected ore grade material while further to the east, geochemical and geophysical survey results indicate that this zone may continue for another 2.5 kilometres to Gorny, where nine holes totalling 1,484 metres, were drilled confirming the presence of a 500 metre long deposit. However, the limits of the mineralisation are not yet defined. Successful drilling within the intervening area suggests the potential to define a continuously mineralised zone approaching nearly five kilometres in length. Hence, the potential within this western zone is considered to be substantial. Drilling is certainly warranted to establish the lateral limits of the mineralisation in the western area.



It is also important to note that the western zone contains a unique mineralised structure located to the north of Maly Kurumkon. Historical geological mapping, rock chip, and soil geochemical sampling as well as geophysical work have identified the presence of a steeply dipping structure which lies within the Kurumkon Trend at its northern boundary. The structure localises the highest grade zone defined by rock chip sampling, indicating grades in the range of up to 0.9% nickel and 0.4% copper may be expected. During 2011, a drill road was constructed to the area, however, unseasonably high rainfall washed out the road and two reconnaissance drill holes were not completed.

In the central area, exploration during 2012 was not undertaken. The area contains the Vodorazdelny deposit and Falcon anomaly, which has limited drilling. The 2007 JORC resource is presented below. SRK Consulting is updating the resource and reserve estimates in 2013.

	Tonnage (Mt)	***Ni (%)***	***Ni (t)***	***Cu (%)***	***Cu (t)***
Indicated	5.9	0.71	41,800	0.20	11,800

The Ikenskoe deposit lies within the east area, which has a total length of about eight kilometres. Historical drilling indicates that the mineralisation defined at Ikenskoe continues on an uninterrupted basis across the creek to the southeast toward Sobolevsky Peak, where outcrops of mineralised sulphide were observed in the slopes.

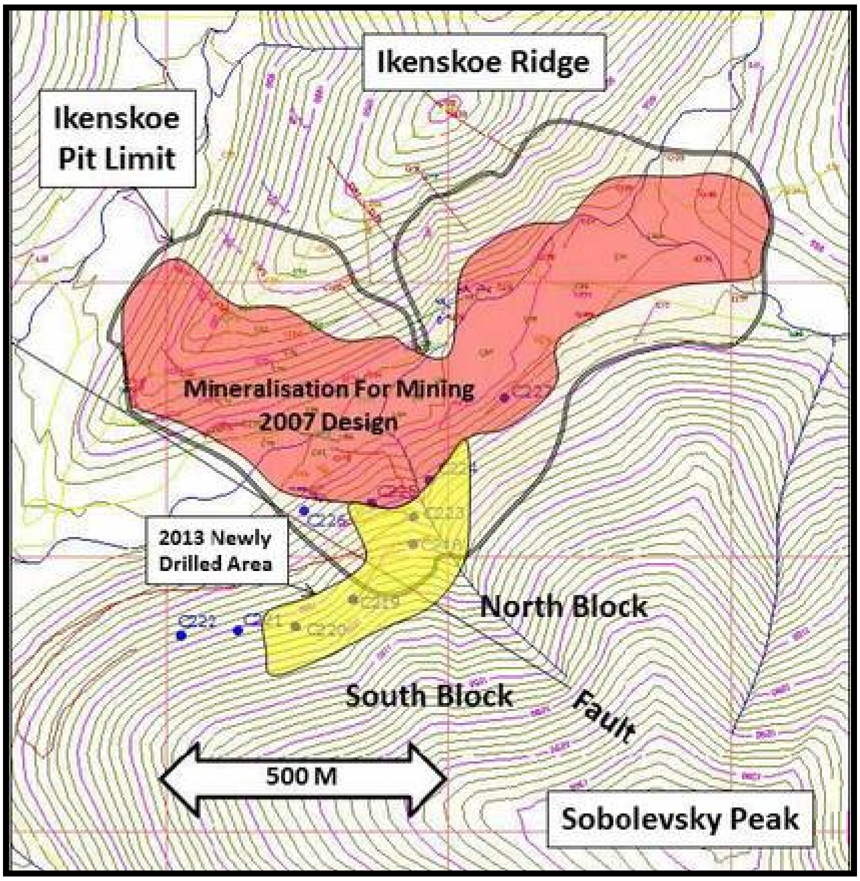
Based on the 2007 SRK report, Ikenskoe contains a JORC compliant resource total of 162,000 tonnes of nickel and 46,000 tonnes of copper contained within 36.4 million tonnes, with grades averaging 0.45% nickel and 0.13% copper.

	Tonnage (Mt)	***Ni (%)***	***Ni (t)***	***Cu (%)***	***Cu (t)***
Measured	3.7	0.61	22,700	0.16	5,800
Indicated	26.8	0.42	111,300	0.12	32,700
Sub-total	30.5	0.44	134,000	0.13	38,500
Inferred	5.9	0.49	28,700	0.13	7,500
Total	36.4	0.45	162,700	0.13	46,000

The open pit mining reserve at Ikenskoe was projected to contain a recoverable 15.4 million tonnes of ore averaging 0.51% nickel and 0.14% copper (77,900 tonnes of nickel and 22,200 tonnes of copper). Both the resource and reserve estimates are currently being updated by SRK Consulting.

The work program during the 2012 field season at Ikenskoe and to the southeast on Sobolevksy Peak consisted of 10 diamond drill holes totalling 1,212 metres. Six of the ten holes intersected a total of 122.5 metres of nickel and copper mineralisation indicating that that the Ikenskoe deposit extends a further 200 to 250 metres to the south. The average grades of the mineralised intervals are 0.89% nickel and 0.22% copper with an average interval thickness of 17.5 metres. These values are much higher than those typically intersected at Ikenskoe.

Drilling identified the presence of a fault which divides the area drilled in 2012 into two specific blocks referred to as the North and South Blocks. At the North Block, four holes intersected mineralisation averaging 8.1 metres in thickness containing 0.68% nickel and 0.18% copper which is continuing along strike and down dip from the Ikenskoe deposit beneath Sobolevksky Peak. At the South Block, mineralisation has been offset by about 200 metres along this fault and brought the mineralised zone to surface on the side slopes of Sobolevksky Peak. Two holes located on the side slopes of Sobolevsky peak intersected mineralization with grades averaging 0.64% nickel and 0.15% copper over 68.6 metres. There were also several substantial high grade intervals within this zone with grades in excess of 1.0% nickel.



Mapping and sampling immediately to the east of Ikenskoe and Sobolevsky Peak have indicated that the mineralised zone or horizon may continue for an additional four kilometres where trenching and soil sampling define a large geochemical anomaly identified as Kubuk. Historic trenching and geochemical sampling at Kubuk indicates the presence of a high quality coincident nickel and copper anomaly having a length of up to 2,000 metres. Trenching along a 750 metre long outcrop has exposed a mineralised width averaging 48.3 metres containing average grades of 0.63% nickel and 0.16% copper. Drilling was initiated there during the start-up of the 2013 programme and preliminary results indicate the Kubuk anomaly may well be a substantial deposit.

The area located between Ikenskoe and Kubuk requires drilling to determine if the two areas link up and form one large continuous mineralised zone. Successful drilling would provide a second large deposit not unlike that anticipated to exist in the western area.

Eastward from Kubuk along the Kurumkon Trend is a target area known as Ata - Ataga. Initial exploration results identified anomalous nickel grades in an area approaching 2.5 kilometres by 1 kilometre in size. Plans for detailed geological mapping and surface geophysics will be carried out in 2013 to define potential drill targets.

Pre Feasibility Study Resources and Reserves

JORC resources and reserves were calculated and reported in 2007 by SRK Consulting. Subsequent drilling, twin drilling and additional sampling have been completed during the intervening period through completion of the 2012 summer drill programme. These resource and reserve estimates are to be updated by SRK Consulting in 2013.

SRK Consulting – Total JORC Resource (2007)

Classification	***Tonnage (Mt)***	***Ni (%)***	***Ni (t)***	***Cu (%)***	***Cu (t)***
Measured	3.7	0.61	22,700	0.16	5,800
Indicated	47.7	0.48	226,800	0.13	64,400
Inferred	17.1	0.54	91,500	0.15	25,300
Total	68.5	0.50	341,000	0.14	95,500

SRK Consulting – Total JORC Reserve (2007)

Deposit Area	***Ore (Mt)***	***Waste (Mt)***	***Stripping Ratio***	***Average Ni Grade %***	***Ni (t)***	***Average Cu Grade (%)***	***Cu (t)***
West	10.8	69.9	5.5:1	0.50	54,200	0.14	14,900
Central	5.3	2.6	0.5:1	0.73	38,500	0.20	10.800
East	15.4	42.9	2.7:1	0.51	77,900	0.14	22,200
Probable Reserve	31.5	108.8	2.85:1	0.54	170,500	0.15	47,900

Metallurgical Test Work

During the year SGS Mineral Services ("SGS") located in Chita, Russia completed three studies addressing the metallurgical character, metallurgical response and mineralogical analysis of the mineralised rocks having various grades throughout the Maly Kurumkon, Vodorazdalny and Ikenskoe reserve and resources areas. These studies generated a larger sample data set and provided a more representative sample of the variability of the life-of-mine production than used in the 2007 prefeasibility study.

The 2012 flotation test work indicates that nickel recovery will improve from the prefeasibility study figure of 75.9% to 77.8% and that copper recovery will increase from 72.9% to 90.4%. These results suggest that higher quality concentrates products will result and that future cash flow models will indicate better financial returns than those set out in the 2007 study.

Commodity	**Average Life of Mine Grade (%)**	**SRK Dated Metallurgical Recovery (%)**	**SGS Updated Metallurgical Recovery (%)**
Nickel (%)	0.548	75.9	77.8
Copper (%)	0.160	72.9	90.4
Cobalt (%)	0.013	57.0	68.6
Platinum (%)	0.182	51.1	73.9
Palladium (%)	0.294	40.8	82.4

Additional test work on a Maly Kurumkon ore sample indicates that concentrate averaging 9.6% nickel and 2.9% copper could be generated, suggesting that the total tonnes of concentrate recovered may be reduced by as much as 40% to 45% without significant loss of metal recovered, thereby substantially reducing smelter and transport costs and increasing revenue per tonne of concentrate sold.

The SGS study also established that the magnesium oxide (“MgO”) content, a deleterious element, could be substantially reduced within the concentrate over the projected life-of-mine, thus reducing the smelter penalties associated with slag forming components.

The improved metallurgical responses will be modelled in an updated cash flow study, together with updated ore reserve quantities in the 2013 SRK report. Inflation in the operating and capital costs will also be factored. This is an incremental process and will be completed over the course of time.

Licences

The Company submitted an application for the licence extension at Kun-Manie in May 2012 with the result that a two year extension was granted in November 2012 to 31 December 2014.

In May 2013, Rosnedra notified the Company that a one-time fee of RUR24.6 million (approximately US$818,000) will be assessed upon granting of the mining licenCe. To complete the licensing process, various Russian agencies are updating information that is more than one year old which specifically includes staff changes atthe executive level and a new updated share registry. The updated reports will be used to establish the terms and conditions of the licence and a recommendation needs to be compiled by Rosnedra to award the mining licence to the Company. The recommendation will be reviewed by the Presidential Commission, which typically meets twice per annum.

Financial Overview

The Company remained debt free through 2012 with cash reserves of US$2 million at year end.

During the year the Company received 13 paid settlements from the Lanstead Capital LLP (Lanstead) financing agreement entered into during March 2011 totalling US$2.1 million. The total proceeds to date from this financing are US$3.3 million. As at 31 December 2012, there were four settlements remaining which, when valued at the share price as at 31 December 2012 of 8.725p, will provide expected proceeds of US$440,000.

The Company entered into another placing and equity price mechanism with Lanstead in February 2012 for US$7.67 million (£4.86 million) by placing 60.7 million new shares. During the year the Company received five settlements with proceeds of US$1.3 million. The remaining settlements, which when valued at the share price as at 31 December 2012 of 8.725p, will provide expected proceeds of US$5.3 million.

A further US$972,000 was raised through the placing of 7.81 million new shares at 8p in February 2012.

Outlook

Looking to the remainder of an exciting 2013, the Company will continue to be very busy. The priority tasks for the year include the award of the mining licence, continued drilling along the Kurumkon Trend and an update to the 2007 prefeasibility study. The update of the resources and reserves based on drill results through 2012 should provide considerable increase in JORC compliant resources and reserves. The continued progress of the Company has only been possible through the on-going dedication of the

I would like to thank the Amur and Kun-Manie staff, whose hard work has advanced the Kun-Manie project toward a production decision.

Mr. Robert W. Schafer
Non Executive Chairman
26 June 2013

The Directors present their annual report and the audited financial statements for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS
The Group's principal activity during the year was that of mineral exploration and development. A full review of the activity of the business and of future prospects is contained in the Chairman's Statement which accompanies these financial statements.

RESULTS AND DIVIDENDS
The results for the year are disclosed in the Statement of Comprehensive Income on page 19. The Directors do not recommend payment of a dividend for the year (2011: nil).

DIRECTORS
The number of Directors as at 31 December 2012 was 3 (2011: 3). Details of Directors remuneration and other interests are detailed in note 17.

LISTING
The Company's ordinary shares have been traded on London's Alternative Investment Market (AIM) since 15 March 2006. RBC Capital Markets is the Company's Nominated Adviser and Joint Broker. The share price at 31 December 2012 was 8.72p.

GOING CONCERN

The Group operates as a natural resources exploration and development company. To date, the Group has not earned significant revenues and is considered to be in the exploration and development stage. The Directors anticipate that a mining licence will eventually be granted for the Kun-Manie deposit, but cannot estimate a date for commercial production to commence. The Group is currently dependent upon its existing financial resources which comprise cash and derivative financial asset, and its ability to raise additional finance through share placings to satisfy its obligations and fully finance its exploration and evaluation programme for Kun-Manie. Failure to meet these exploration and evaluation commitments could put the related licence interests at risk of forfeiture.

The Group has sufficient funding to finance its activity through to June 2014. The Directors are in negotiations with a number of parties in respect of raising further funds to continue with the exploration work programme. Whilst progress is being made on a number of potential transactions which would provide additional finance for the Group there are no binding agreements in place.

These conditions indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. Based on the current progress of the negotiations with potential providers of finance and discussions with potential investors the Directors believe that the necessary funds to provide adequate financing for continued exploration work will be raised as required and accordingly they are confident that the Group will continue as a going concern and have prepared the financial statements on that basis.

The financial statements do not include the adjustments that would result if the Group was not able to continue as a going concern.

PRINCIPAL RISKS AND UNCERTAINTIES
The management of the Group's business and the execution of its strategy are subject to a number of risks. Risks are formally reviewed by the Board and appropriate processes put in place to monitor and mitigate them. If more than one event occurs, the overall impact of such events may compound the possible adverse effects on the Group.

The key financial risks affecting the Group are set out in note 22 to the financial statements. The key operating risks affecting the Group are set out below.

The Group's licences
The Group's activities are dependent upon the grant and renewal of appropriate licences, permits and regulatory consents. The Group's primary exploration licence was extended in November 2012 and is currently valid until 31 December 2014. The licence contains a range of obligations which at present have all been met. Failure to comply with the terms of the license, or negotiating appropriate amendments to licence agreements could result in penalties being levied or the suspension or revocation of the licence.

The Company utilises the legal services of Norton Rose in Moscow. All documentation and filings are reviewed by Norton Rose to ensure that communications, filings and any other required contacts maintain conformity with the regulatory agencies of the Russian Federation.

Project development risks
Resource estimates are based upon the interpretation of geological data. Project feasibility studies derive estimates of operating costs based upon anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, expected recovery rates and other factors. As a result, actual operating costs and economic returns may differ from those currently estimated.

The scale of the project mandates that all work should be conducted by Russian experienced, independent and internationally recognised companies in all areas of proposed and actual project development. Any internally generated studies are held in confidentially within the Company until an independent and qualified group, company or experts have reviewed, commented and confirm the results of Company work.

Russian related project work must be undertaken by Russian Federation approved agencies prior to approval of any study, preproduction, construction and operational approvals are granted. The Company adheres to these regulatory statutes.

Reserve and resource estimates
Reserve and resource estimates may require revision based on actual production experience. The volume and grade of reserves mined and processed and recovery rates achieved may vary from those anticipated and a decline in the market price of metals may render reserves containing relatively lower grades of nickel and copper mineralisation uneconomic.

Resources and reserves are independently calculated by internationally recognised organisations to JORC standards. Information related to the calculation of such estimates is based on reports from external companies experienced in metallurgical and processing work as well as the evaluation of long term metal pricing where the Company utilises information provided by external organisations. As the Company is not in production at this time, actual production results cannot be utilised to verify predicted resources and reserves.

The Russian Federation requires a separate assessment of reserves and does not recognise resources which are not contained within a mine plan based on a Russian certified study calculated by a qualified agency or organisation. Final reserve numbers are audited by the GKZ who is responsible for tracking and certifying all reserve estimates within the Russian Federation.

Environmental issues
The Group's operations are subject to environmental regulation, including environmental impact assessments and permitting. Russian environmental legislation comprises numerous federal and regional regulations which are not fully harmonised and may not be consistently interpreted.

The Company utilises Equator Principle standards with regard to its monitoring and maintenance of environmental protection. These standards are among the highest in the world and implementation of such standards is required when international financing of a project is undertaken. By utilising the highest level of standard, the Company meets both Russian and International standards.

On an internal Russian Federation basis, the Company is inspected on an annual basis to ensure that the Company is performing and maintaining protection of the environment. The Company employs three individuals to ensure that all work is done to and ultimately approved by the appropriate Russian authorities and organisations.

Nickel price volatility
The net present value of the Group's capitalised exploration assets is directly related to the long-term price of nickel. The market price of nickel is volatile and is affected by numerous factors which are beyond the Company's control. These factors include world production levels, international economic trends, currency exchange fluctuations and industrial demand.

The Company regularly reviews expected nickel and copper prices from internationally recognised expert sources and assesses the economic viability of its project based upon long term trends and surveys compiled by several resource groups specialised in long term price projection. . Nickel and copper price sensitivity is built into the Company's economic models. Presently, the long term project price for nickel in 2013 USD is $9.50 per pound and is $2.75 per pound for copper and is based on a concensus survey of approximately 20 specialised banking institutions. All study work currently utilises prices of $7.50 and $1.50 for nickel and copper respectively.

Political and economic risks
The Group's assets are located in Russia which is still undergoing a substantial transformation from a centrally controlled command economy to a market-driven economy. In addition, in view of the legal and regulatory regime in Russia, legal inconsistencies may arise.

The Company utilises its Moscow based legal representatives of Norton Rose and conducts periodic meetings to review changes in the legal and regulatory regime. The updates are typically undertaken on a 60 day basis. In addition, the Company is a member of the Mining Advisory Council which consistently works with Russian authorities to assist in the understanding of regulatory constraints and assists in the modification of legislation designed to clarify inconsistencies in legislation and interpretation of the law.

The regulatory environment
The Group's activities are subject to extensive federal and regional laws and regulations governing various matters, including licensing, production, taxes, mine safety, labour standards, occupational health and safety and environmental protections. Amendments to current laws and regulations governing operations and activities of mining companies or more stringent implementation or interpretation of these laws and regulations could have a material adverse impact on the Group, cause a reduction in levels of production and delay or prevent the development or expansion of the Group's properties in Russia.

The Company utilises its Moscow legal team of Norton Rose to monitor changes to the regulatory system. In addition, the Mining Advisory Council also participates in reviews and working with the governmental groups responsible for regulatory control and the authoring of new legislation. Proactively, the Company assesses the potential impact of any proposed modifications and is dynamically changing Company policies and approaches to match the Russian regulatory environment. Often planning and work is completed in advance of changes when they are identifiable and could impact exploration and operations.

Taxation
Russian tax legislation has been subject to frequent change and some of the laws relating to taxes to which the Group is subject are relatively new. The government's implementation of such legislation, and the courts' interpretation thereof, has been often unclear or nonexistent, with few precedents established. Differing opinions regarding legal interpretation may exist both among and within government ministries and organisations and various local inspectorates. The introduction of new tax provisions may affect the Group's overall tax efficiency and may result in significant additional tax liability.

The Company continually assesses the tax regime and utilised experienced local staff and state agencies in submission of taxes at all levels. This includes personal taxes, social taxes and any other taxes that the Company must pay on behalf of its employees. These documents and approaches are reviewed by the tax authorities on an annual basis and modifications are undertaken as required.

It is important to note that the Duma is presently considering the elimination of profits tax on organisations that intend to construct projects wherein the capital expenditure exceeds 5.0 million USD. The wavier is not presently implemented and the Company utilises the current rate of 20% for conservative reasons. If the new structure is set into the tax code, the Company could have a 10 year tax holiday on its operation.

Russia's physical infrastructure
Some of Russia's physical infrastructure is in poor condition. This may disrupt the transportation of supplies, add to costs and interrupt operations, with a potentially material adverse effect on the Group's business.

The Company's project is remotely located and will need to construct an access road of about 350 kilometres from the Baikal Amur rail line. As the Company and potentially other organisations work in the greenfield area where limited access and power is present, the Company's position is that we will have to construct roads and potentially a power line to the site on a standalone basis. Planning is done on a worst case basis and assumes nothing is available. Using this basis, costing related to infrastructure is not as relevant. In the Company's case, roads do already exist in the area but will require substantial upgrading.

POLICY FOR PAYMENT OF CREDITORS
It is Group policy to agree and clearly communicate the terms of payment as part of the commercial arrangement negotiated with suppliers and then to pay according to those terms. The Company is a holding company and therefore has few suppliers.

Credit facilities are rarely available for pre-production companies in Russia on terms the Directors would consider acceptable. ZAO Kun-Manie is frequently obliged to pre-pay or make advance and stage payments for services supplied. Therefore, it is not appropriate to ascertain the average days of credit.

DONATIONS
The Company has not made any charitable or political donations during the year (2011: nil).

AUDITORS
All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

Approved by the Board of Directors and signed on behalf of the Board on 27 June 2012.

Robert W. Schafer
Chairman
27 June 2013

The Directors are responsible for preparing the Directors' report and the financial statements for the Group. The Directors have prepared the financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year.

The Directors have chosen to use the International Financial Reporting Standards as adopted by the European Union (IFRS) in preparing the Group's financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of financial statements.

International Accounting Standards requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and accounting estimates that are reasonable and prudent;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- state that the group has complied with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website, in addition to being mailed to shareholders, financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Robin Young
Director
27 June 2013

Brian Savage
Director
27 June 2013

To the members of Amur Minerals Corporation

We have audited the financial statements of Amur Minerals Corporation for the year ended 31 December 2012 which comprise the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity, and the related notes. The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the Company's members, as a body in accordance with our engagement letter dated 29 April 2013. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Directors' responsibility for the financial statements

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as adopted by the European Union and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (as issued by the International Federation of Accountants (IFAC)). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and fair presentation of financial statements in order to design appropriate audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on financial statements

In our opinion:

- the financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2012 and its financial performance and its cash flows for the year then ended in accordance with IFRS as adopted by the European Union.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the Group’s ability to continue as a going concern which is dependent on the Group’s ability to raise further funds through debt or new equity placing. The Directors believe that the Group will secure the necessary funds. While the Directors are continuing funding negotiations with certain third parties there are currently no binding agreements in place. These conditions together with the other matters referred to in note 1 indicate the existence of a material uncertainty which may cast significant doubt over the Group’s ability to continue as a going concern. The financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern.

Opinion on other matters

In our opinion the information given in the Directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements.

BDO LLP
Chartered Accountants
55 Baker Street
London W1U 7EU
United Kingdom

Date: 27 June 2013

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

AMUR MINERALS CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2012
(Amounts in '000s US Dollars)

	Notes	31 December 2012	31 December 2011
NON-CURRENT ASSETS			
Capitalised exploration costs	5	17,084	13,503
Property, plant and equipment	5	844	400
Total non-current assets		**17,928**	**13,903**
CURRENT ASSETS			
Cash and cash equivalents		2,048	4,436
Inventories	7	224	165
Derivative financial asset	8	5,787	2,001
Other receivables	9	330	784
Total current assets		**8,389**	**7,386**
Total assets		**26,317**	**21,289**
CURRENT LIABILITIES			
Trade and other payables	6	119	102
Total current liabilities		**119**	**102**
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital	11	40,902	32,265
Share premium	11	6,613	7,071
Share options reserve	11	1,256	1,604
Retained deficit	11	(20,135)	(16,686)
Foreign exchange translation reserve	11	(2,438)	(3,067)
Total equity		**26,198**	**21,187**
Total liabilities and equity		**26,317**	**21,289**

The financial statements were approved and authorised for issue by the Board of Directors on 27 June 2013 and were signed on its behalf by:

Robin Young   Brian Savage

The accompanying notes on pages 22 to 40 form an integral part of these financial statements.

(Amounts in ‘000s US Dollars)

	Note	Year ended 31 December 2012	Year ended 31 December 2011
Administrative expenses	13	(1,750)	(2,892)
Loss from operations		**(1,750)**	**(2,892)**
Finance income		-	20
Finance expense	14	(1,813)	(231)
Fair value (loss)/gain on derivative financial assets	8	(435)	(1,505)
Loss before tax		**(3,998)**	**(4,608)**
Taxation	10	-	-
Loss for the year attributable to owners of the parent		**(3,998)**	**(4,608)**
Other Comprehensive income:			
Exchange differences on translation of foreign operations		**629**	**(621)**
Other comprehensive income for the year, net of tax		**629**	**(621)**
Total comprehensive income for the year attributable to owners of the parent		**(3,369)**	**(5,229)**
Loss per share: basic & diluted	15	US$(0.012)	US$(0.017)

The accompanying notes on pages 22 to 40 form an integral part of these financial statements.

AMUR MINERALS CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012
(Amounts in '000s US Dollars)

	Note	Year ended 31 December 2012	Reclassified Year ended 31 December 2011
Cash flow from operating activities:			
Payments to suppliers and employees		(1,190)	(2,524)
Net cash used in operating activities		(1,190)	(2,524)
Cash flow from investing activities:			
Payments for property, plant and equipment	5	(693)	(115)
Payments for capitalised expenditure	5	(2,789)	(1,147)
Recovery of VAT receivable		-	1,236
Net cash used in investing activities		(3,482)	(26)
Cash flow from financing activities:			
Proceeds from issue of equity shares (net of issue costs)		533	-
Settlement of derivative financial asset	8	3,445	4,344
Finance Expense	14	(1,813)	(231)
Net cash from financing activities		2,165	4,113
Net change in cash and cash equivalents		**(2,507)**	**1,563**
Cash and cash equivalents at the beginning of the year		4,436	3,066
Foreign exchange effects		119	(193)
Cash and cash equivalents at the end of the year		**2,048**	**4,436**

The 2011 Cash Flow Statement has been reclassified to separate the finance expense previously included in payments to suppliers and employees.

The accompanying notes on pages 22 to 40 form an integral part of these financial statements.

AMUR MINERALS CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012
(Amounts in '000s US Dollars)

	Share capital	Share premium account	Retained deficit	Share Options Reserve	Foreign Currency Translation Reserve	Total
Balance at 31 December 2010	**28,183**	**7,233**	**(12,804)**	**1,390**	**(2,446)**	**21,556**
Loss for the year	-	-	(4,608)	-	-	(4,608)
Other comprehensive income for the year	-	-	-	-	(621)	(621)
Total comprehensive income	-	-	(4,608)	-	(621)	(5,229)
Shares issued	4,082	-	-	-	-	4,082
Share options expired in the period	-	-	726	(726)	-	-
Equity settled share based payments	-	-	-	940	-	940
Costs associated with issue of share capital	-	(162)	-	-	-	(162)
Balance at 31 December 2011	**32,265**	**7,071**	**(16,686)**	**1,604**	**(3,067)**	**21,187**
Loss for the year	-	-	(3,998)	-	-	**(3,998)**
Other comprehensive income for the year	-	-	-	-	629	**629**
Total comprehensive income	-	-	(3,998)	-	629	**(3,369)**
Shares issued	8,637	-	-	-	-	**8,637**
Share options expired in the period	-	-	549	(549)	-	**-**
Equity settled share based payments	-	-	-	201	-	**201**
Costs associated with issue of share capital	-	(458)	-	-	-	**(458)**
Balance at 31 December 2012	**40,902**	**6,613**	**(20,135)**	**1,256**	**(2,438)**	**26,198**

The accompanying notes on pages 22 to 40 form an integral part of these financial statements.

1. GENERAL

Amur Minerals Corporation ("Company") is incorporated under the British Virgin Islands Business Companies Act 2004. The Company and its subsidiaries ("Group") locates, evaluates, acquires, explores and develops mineral properties and projects in the Russian Far East.

The Company's registered office is located at Kingston Chambers, P.O. Box 173, Road Town, Tortola, British Virgin Islands. The average number of employees for the Group for the period to 31 December 2012 was 49 (2011: 31 employees).

The Company is the 100% owner of a Cypriot company called Irosta Trading Limited ("Irosta"). Irosta holds 100% of the shares in ZAO Kun-Manie ("Kun-Manie"), which holds the Group's mineral licences. The Group includes the following companies as at 31 December 2012 and 31 December 2011:

	Country of Incorporation	Percentage Holding	Principal Activities
Amur Minerals Corporation	British Virgin Islands	Parent Company	Investment Holding Company
Irosta Trading Limited	Cyprus	100%	Investment Holding Company
ZAO Kun – Manie	Russia	100%	Exploration & mining Company

The Group's principal place of business is in the Russian Federation.

The Group's principal asset is the Kun-Manie licence, which was originally issued in 2004 to explore for nickel, copper and associated elements initially until 31 December 2008. Amurnedra, the local licensing authority, extended the exploration licence term for two years until 31 December 2010, and granted a further extension of the exploration licence for two years until 31 December 2012. In December 2012 the Group received a further extension of the licence to 31 December 2014. The State Committee of Reserves has approved Russian classification C1 + C2 reserves of 203,900 tons of nickel at Kun-Manie in December 2008. Subsequently, the Group received a certificate of discovery conveying the right to apply for a 20 year mining licence at Kun-Manie. ZAO Kun-Manie has applied for the licence and a decision from the authorities is pending.

In December 2007 SRK Consulting completed an independent pre-feasibility assessment of the Vodorazdelny, Ikenskoe and Maly Krumkon areas of the Kun-Manie licence, based on the analytical results from the exploration data set for all holes and trenches that had been completed over the exploration life of the project, inclusive of the work undertaken and results obtained during the 2006 exploration field season for Vodorazdelny and Ikenskoe and 2007 for Maly Krumkon. SRK Consulting is a global entity specialising in the assessment of mining resources. SRK reports a net present value for the project using a discount rate of 10% of US$84 million.

The Group had another mineral licence, namely Kustak, which is adjacent to the Kun-Manie licence. The Kustak licence was acquired at auction in February 2007 and was valid for 25 years. It was a combined exploration and production licence. As part of a cost reduction measure the Company has decided to focus its attention on the Kun-Manie licence and returned the Kustak licence to the Russian authorities in March 2011.

2. BASIS OF PREPARATION

a) Statement of compliance

The financial statements have been presented in thousands of United States Dollars and prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). The principal accounting policies adopted in the preparation of the financial statements are set out in note 3 to these financial statements. The policies have been consistently applied to all the years presented, unless otherwise stated.

b) Going concern

These consolidated annual financial statements are prepared on a going concern basis.

The Group operates as a natural resources exploration and development company. To date, the Group has not earned significant revenues and is considered to be in the exploration and development stage. The Directors anticipate that a mining licence will eventually be granted for the Kun-Manie deposit, but cannot estimate a date for commercial production to commence. The Group is currently dependent upon its existing financial resources which comprise cash and derivative financial asset, and its ability to raise additional finance through share placings to satisfy its obligations and fully finance its exploration and evaluation programme for Kun-Manie. Failure to meet these exploration and evaluation commitments could put the related licence interests at risk of forfeiture.

The Group has sufficient funding to finance its activity through to June 2014. The Directors are in negotiations with a number of parties in respect of raising further funds to continue with the exploration work programme. Whilst progress is being made on a number of potential transactions which would provide additional finance for the Group there are no binding agreements in place.

These conditions indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. Based on the current progress of the negotiations with potential providers of finance and discussions with potential investors the Directors believe that the necessary funds to provide adequate financing for continued exploration work will be raised as required and accordingly they are confident that the Group will continue as a going concern and have prepared the financial statements on that basis.

The financial statements do not include the adjustments that would result if the Group was not able to continue as a going concern.

c) Basis of consolidation

The consolidated financial statements of the Group include the accounts of Amur Minerals Corporation and its subsidiaries. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. The accounting policies and financial year ends of its subsidiaries are consistent with those applied by the Company. These consolidated financial statements include accounts of the Company and its subsidiaries as set out in note 1.

The Company's Russian subsidiary maintains its books and records in accordance with accounting principles and practices mandated by Russian Accounting Regulations. These records have been adjusted to comply with IFRS for the purposes of preparing these consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared on the basis of a going concern and in accordance with IFRS as adopted by the EU.

The preparation of financial statements in conformity with 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 factors that are believed to be reasonable under the circumstances, the results

of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the consolidated financial statements, are disclosed in this note.

(Amounts in '000s US Dollars)

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 only affects that period or in the period of revision and future periods if the revision affects both current and future periods. The estimates and underlying assumptions are reviewed on an ongoing basis.

Standards, amendments and interpretations, which are effective for reporting periods beginning after the date of these financial statements which have not been adopted early:

Standard	Description	Effective date
IAS 1	Presentation of Items of Other Comprehensive Income	1 Jul 2012
IFRS 10	Consolidated Financial Statements	1 Jan 2013
IFRS 11	Joint Arrangements	1 Jan 2013
IFRS 12	Disclosure of Interests in Other Entities	1 Jan 2013
IFRS 13	Fair Value Measurement	1 Jan 2013
IAS 27	Separate Financial Statements	1 Jan 2013
IAS 28	Investments in Associates and Joint Ventures	1 Jan 2013
IAS 19	Employee Benefits	1 Jan 2013
IFRS 7	Offsetting Financial Assets and Financial Liabilities	1 Jan 2012
IFRS Improvements	(2009-2011 Cycle)	1 Jan 2013
IFRS 10, 11 and 12*	Transition Guidance	1 Jan 2013
IAS 32	Offsetting Financial Assets and Financial Liabilities	1 Jan 2014
IFRS 9*	Financial Instruments	1 Jan 2015

All the amendments and interpretations are not expected to materially affect the Group's reporting or reported numbers.

* Not yet endorsed by European Union.

a) Functional and presentation currency

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial information is presented in US dollars ($), which is the functional and presentation currency of the Company. The functional currency of the Group's operating subsidiary is the Russian Rouble. The exchange rate on 31 December 2012 was £1:$1.62 (2011: £1:$1.55) and $1:RUB 30.44 (2011: $1:RUB 32.08). The average rates applied to transactions during the year were £1:$1.58 (2011: £1:$1.61) and $1:RUB 30.99 (2011: $1:RUB 29.33).

In preparing the financial statement of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the date of the transaction. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date.

Exchange differences arising on the settlement and on the retranslation of monetary items are included in profit or loss for the period.

On consolidation, the results of overseas operations are translated into US Dollars at rates approximating to those when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in equity (the "foreign exchange reserve").

Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to other comprehensive income and accumulated in the foreign exchange reserve on consolidation.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal.

b) Segmental Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers have been identified as the Chief Executive Officer, Chief Financial Officer and the other executive and non-executive Board Members.

The operating results of each of these segments are regularly reviewed by the Group's chief operating decision makers in order to make decisions about the allocation of resources and to assess their performance.

The accounting policies of these segments are in line with those set out in these notes.

c) Exploration and evaluation assets

When the Group incurs expenditure on mining properties that have not reached the stage of commercial production, the costs of acquiring the rights to such mineral properties and related exploration and evaluation costs, including directly attributable employment costs, are deferred where the expected recovery of costs is considered probable by the successful exploitation or sale of the asset. General overheads are expensed immediately. Depreciation on fixed assets used on exploration and evaluation projects is charged to deferred costs whilst the projects are in progress.

Where a feasibility study indicates that the future recovery of costs is not probable, full provision is made in respect of any deferred costs. Where mining properties are abandoned, deferred expenditure is written off in full.

Deferred exploration and evaluation costs are assessed at each reporting date to determine whether there are indicators that the asset may be impaired. If any such indicator exists, a review for impairment is conducted, by estimating the recoverable amount by reference to the net present value of expected future cash flows of the relevant income generating unit or disposal value if higher. If the recoverable amount is less than the carrying value of an asset, an impairment loss is recognised.

Individual mining properties are considered to be separate cash generating units for this purpose, except where they would be operated together as a single mining business.

The amounts shown as deferred exploration and evaluation expenditure represent costs incurred and do not necessarily reflect present or future values.

d) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life as follows:

	Useful life (years)
Motor vehicles	2
Office and computer equipment	3-8
Heavy machinery	5-7

The costs of maintenance, repairs and replacement of minor items of property, plant and equipment are charged to profit or loss.

e) Inventories

Inventories are stated at the lower of cost and net realisable value and comprise mainly fuel, materials and spare parts. Costs comprise all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

f) Leased Assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset are retained by the lessor (an "operating lease"), the total rentals payable under the lease are charged to profit or loss on a straight-line basis over the lease term.

g) Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax. Taxable profit differs from net profit as reported due to income tax effects of permanent and temporary differences. Non-profit based taxes are included within administrative expenses.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences relating to initial recognition of assets or liabilities that affect neither accounting nor taxable profit are not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

h) Costs associated with the issue of share capital

Costs associated with the issue of shares, net of any taxes, have been set off against share premium.

i) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at

the fair value of the equity instrument at the grant date. Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in Note 12.

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.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

j) Financial Assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its assets as held to maturity.

Loans and Receivables

Other receivables: - these assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially measured at fair value and subsequently carried at amortised cost, using the effective interest rate method, less any provision for impairment. If the need for impairment of a receivable arises, the value of provision, representing the expected loss from not being able to recover such a receivable, is recognised in administrative expenses.

Cash and cash equivalents: - these assets comprise cash, short term deposits and investments in money market funds. Short term deposits comprise deposits made for varying periods of between one day and three months.

Fair value through profit or loss

This category comprises only Lanstead derivative (note 8) which is carried in the statement of financial position at fair value with changes in fair value recognised in profit or loss. The Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

k) Financial Liabilities

Other financial liabilities include trade payables and other short-term monetary liabilities, which are initially measured at fair value and subsequently recognised at amortised cost using effective interest rate method.

l) IFRS7 fair value measurement hierarchy

IFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement (note 21). The fair value hierarchy has the following levels:

a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2);
c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within the financial asset or financial liability is determined on the basis of the lowest level input that is significant to the fair value measurement.

m) Share capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The ordinary shares are classified as equity instruments.

n) Critical accounting estimates, assumptions and judgements

The preparation of financial statements requires management to make estimates and assumptions concerning the future, which by definition will seldom result in actual results that match the accounting estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within next financial year are discussed below:

Accounting estimates and assumptions

i. **Recoverability of the exploration and evaluation assets**
The most significant assumption in the preparation of these financial statements relates to the recoverability of capitalised exploration costs included in non-current assets. Management have prepared a cash flow forecast, estimating costs of development of the mine and net profits once the mine has been put into operation. The main amounts and estimates required in calculating the future cash flows are:

- Development costs to date of operations
- Future sale price of metals extracted
- Amount of reserves available for extraction
- Operating expenses per tonne of metal extracted

Based on the cash flow forecast prepared, there is no impairment of the capitalised expenditure to date. However, the exploration is still at an early stage and a change in any of the above areascould result in a significant impact on the estimated future cash flows.

ii. Russian business environment

The accompanying financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment. The impact of such differences on the operations and the financial position of the Group may be significant.

Accounting judgements

i. Exploration and evaluation costs

The recoverability of the amounts shown in the Group statement of financial position in relation to deferred exploration and evaluation expenditure are dependent upon the discovery of economically recoverable reserves, continuation of the Group's interests in the underlying mining claims, the political, economic and legislative stability of the regions in which the Group operates, compliance with the terms of the relevant mineral rights licences, the Group's ability to obtain the necessary financing to fulfil its obligations as they arise and upon future profitable production or proceeds from the disposal of properties.

ii. Share-based payments

The Company makes equity-settled share-based payments to certain Group employees and advisers. Equity-settled share-based payments are measured at fair value using a Black-Scholes valuation model at the date of grant based on certain assumptions. Those assumptions are described in the notes to the accounts and include, among others, expected, volatility, expected life of the options and number of options expected to vest. More details including carrying values are disclosed in the note to the accounts.

iii. Valuation of derivative financial asset

On the 6 February 2012, the Group placed 60.7 million shares with Lanstead Capital L.P for the consideration of £4,856,000 (US$7,665,682).

On the 22 March 2011, the Group placed 25 million shares with Lanstead Capital L.P for the consideration of £2,500,000 (US$4,044,500).

On 22 July 2010 and 19 October 2010, the Group placed 17 million and 6 million shares respectively with Lanstead Capital L.P for the total consideration of £910,000 (US$1,407,588).

In addition the Company and Lanstead Capital L.P. have entered into an equity swap agreement in respect of the above placings for which consideration will be received on a monthly basis over 24 months period (note 8). The amount to be received each month is dependent on the Company's share price at the end of each month. The Directors have made assumptions in their financial statements about the quantum of the funds receivable at the yearend however there is significant uncertainty underlying these assumptions due to the unpredictable nature of the share prices.

(Amounts in '000s US Dollars)

4. SEGMENT REPORTING

The Group has one reportable segment being Kun-Manie which is involved in the exploration for minerals within the Kun-Manie licence areas in Russia.

The operating results of this segment is regularly reviewed by the Group's chief operating decision makers in order to make decisions about the allocation of resources and assess the performance.

As the Group has no revenue, the following is an analysis of the Group's results from continuing operations by reportable segment.

Reportable information as at 31 December 2012

	Corporate (Unallocated)	Kun-Manie	Total
Administrative expenses	(1,422)	(328)	**(1,750)**
Finance income	-	-	**-**
Finance expense	(1,813)	-	**(1,813)**
Fair value (loss)/gain on derivative financial asset	(435)	-	**(435)**
Taxation	-	-	**-**
Loss for the year	**(3,670)**	**(328)**	**(3,998)**
Non-current assets	870	17,058	**17,928**
Inventories	-	224	**224**
Derivative financial asset	5,787	-	**5,787**
Trade and other receivables	59	271	**330**
Cash and cash equivalents	1,927	121	**2,048**
Segment assets	**8,643**	**17,674**	**26,317**
Trade and other payables	(88)	(32)	**(120)**
Segment liabilities	**(88)**	**(32)**	**(120)**
Segment net assets	**8,555**	**17,642**	**26,197**
Property, plant and equipment capital expenditure	**-**	**693**	**693**
Exploration capital expenditure	**-**	**2,782**	**2,782**

Reportable information as at 31 December 2011

	Corporate (Unallocated)	Kun-Manie	Total
Administrative expenses	(1,740)	(1,063)	**(2,803)**
Finance income	20	-	**20**
Finance expense	(231)	-	**(231)**
Fair value (loss)/gain on derivative financial asset	(1,594)	-	**(1,594)**
Taxation	-	-	**-**
Loss for the year	**(3,545)**	**(1,063)**	**(4,608)**
Non-current assets	870	13,033	**13,903**
Inventories	-	165	**165**
Derivative financial asset	2,001	-	**2,001**
Trade and other receivables	80	704	**784**
Cash and cash equivalents	4,114	322	**4,436**
Segment assets	**7,065**	**14,224**	**21,289**
Trade and other payables	(97)	(5)	**(102)**
Segment liabilities	**(97)**	**(5)**	**(102)**
Segment net assets	**6,968**	**14,219**	**21,187**
Property, plant and equipment capital expenditure	**-**	**115**	**115**
Exploration capital expenditure	**-**	**1,147**	**1,147**

(Amounts in '000s US Dollars)

The accounting policies of the reportable segment are the same as the Group's accounting policies described in note 3. Segment loss represents the loss incurred by the segment without allocation of central administration costs and Directors' salaries and finance income or costs. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance.

5. CAPITALISED EXPLORATION COSTS AND PROPERTY, PLANT AND EQUIPMENT

	Vehicles and office & computer equipment	Exploration and evaluation assets	Total
Cost:			
At 1 January 2011	**1,004**	**13,685**	**14,689**
Additions	115	1,147	1,262
VAT Refund	-	(1,236)	(1,236)
Foreign exchange differences	(49)	(93)	(142)
At 31 December 2011	**1,070**	**13,503**	**14,573**
Additions	693	2,789	3,475
Foreign exchange differences	57	792	856
At 31 December 2012	**1,820**	**17,084**	**18,904**
Accumulated depreciation:			
At 1 January 2011	**538**	**-**	**538**
Charge for the year	159	-	159
Disposals	-	-	-
Foreign exchange differences	(27)	-	(27)
		-	
At 31 December 2011	**670**	**-**	**670**
Charge for the year	270	-	270
Disposals	-	-	-
Foreign exchange differences	36	-	36
At 31 December 2012	**976**	**-**	**976**
Net book value:			
At 31 December 2012	**844**	**17,084**	**17,928**
At 31 December 2011	400	13,503	13,903
At 1 January 2010	466	13,685	14,151

Exploration and evaluation costs
Exploration and evaluation assets relate to the Group's mineral exploration licence, Kun-Manie. During the year US$1,282,000 (2011: US$645,000) of salaries and wages and US$268,000 (2011: US$6,000) of depreciation were capitalised to the exploration and evaluation asset.

In September 2010 the Kun-Manie exploration licence was extended until 31 December 2012. In November 2012 the Group received a further extension of the exploration licence until 31 December 2014.

An application for a mining licence has been made in relation to the primary target area of the Krumkon Trend.

(Amounts in '000s US Dollars)

The carrying value of the exploration and evaluation assets is considered with reference to the reserve and resource estimates and their valuation which was independently assessed on 13 December 2007 updated for changes in commodity prices. The 2012/13 work programme consists of activities to update the reserves and resources estimates.

VAT Receivable

The capitalised exploration and evaluation costs include VAT of US$538,000 (2011: US$511,000). During the prior year the Group's subsidiary ZAO Kun-Manie successfully recovered RUR36 million (US$1.2 million) of the Russian VAT outstanding at 31 December 2010.

6. TRADE AND OTHER PAYABLES

	31 December 2012	31 December 2011
Accruals and other payables	119	102
	119	**102**

7. INVENTORIES

	31 December 2012	31 December 2011
Fuel	91	55
Other materials and supplies	133	110
	224	**165**

8. DERIVATIVE FINANCIAL ASSET

	31 December 2012	31 December 2011
Derivative financial asset	5,787	2,001
	5,787	**2,001**

The Company enters into financing agreements with Lanstead Capital L.P ("Lanstead") which include an equity swap price mechanism for 75% of the shares issued.
All of the voting rights are transferred on the date of the transaction with the consideration received monthly over a 24 month period. The actual consideration receivable will vary to the extent that the actual share price is greater or lower than the reference point. As the consideration is variable depending upon the Company's share price, the agreement is treated as a derivative financial asset and re-valued through the income statement with reference to the Company's share price.

	Actual share price	Lanstead 1	Lanstead 2	Lanstead 3	Total
Number of unpaid shares outstanding at 31 December 2010	16.75p	14,715,910	-	-	**14,715,910**
Inception of new instruments	10p	-	18,750,000	-	**18,750,000**
Number of shares paid up		(14,715,910)	(5,468,750)	-	**(20,184,660)**
Number of unpaid shares outstanding at 31 December 2011	**9.75p**	**-**	**13,281,250**	**-**	**13,281,250**
Inception of new instruments	8p	-	-	45,525,000	**45,525,000**
Number of shares paid up		-	(10,156,250)	(7,587,500)	**(17,743,750)**
Number of unpaid shares outstanding at 31 December 2012	**8.725p**	**-**	**3,125,000**	**37,937,500**	**41,062,500**

(Amounts in '000s US Dollars)

	Lanstead 1	Lanstead 2	Lanstead 3	Total
Value of derivative at 31 December 2010	3,806	-	-	**7,850**
Inception of new instruments	-	4,044	-	**4,044**
Cash received during the year	(3,177)	(936)	-	**(4,113)**
Finance expense (note 14)	(3)	(228)	-	**(231)**
Loss on revaluation at 31 December 2011	(626)	(879)	-	**(1,505)**
Value of derivative at 31 December 2011	**-**	**2,001**	**-**	**2,001**
Inception of new instruments	-	-	7,666	**7,666**
Cash received during the year		(1,028)	(604)	**(1,632)**
Finance expense (note 14)	**-**	(1,128)	(685)	**(1,813)**
Gain/(loss) on revaluation at 31 December 2012	-	595	(1,030)	**(435)**
Value of derivative at 31 December 2012	**-**	**440**	**5,347**	**5,787**

9. OTHER RECEIVABLES

	31 December 2012	31 December 2011
VAT receivable	55	73
Other receivables	275	711
	330	**784**

Other receivable represent prepayments and annual fees paid in advance under the normal course of business.

10. TAXATION

	31 December 2012	31 December 2011
Current tax – BVI Corporation tax	-	-
Current tax - Russian Corporation tax	-	-
Current tax charge	-	-
Factors affecting tax charge for the year:		
Group loss on ordinary activities before tax	(3,998)	(4,608)
	(3,998)	(4,608)
Tax charge at the BVI corporation tax rate of 0% (2011: 0%)	0	0
Effects of:		
Difference in overseas tax rate of 20% (2011: 20%) to BVI standard rate	(299)	(478)
Non-deductible expenses	176	822
Enhanced tax deductions	(798)	(2,726)
Tax losses carried forward for offset against profits of future periods	921	2,382
Total tax charge for the year	-	-

During the exploration and development stages, the Group will accumulate tax losses which may be carried forward. As at 31 December 2012, the subsidiary in Russia had tax losses carried forward of US$5,141,000 (2011: US$4,219,000) which are available for use over a 10-year period. Of the total available Russian subsidiaries' tax credits, US$922,000 will be available until 31 December 2022, US$2,382,000 will be available until 31 December 2021, US$746,000 will be available until 31 December 2020. US$642,000 will be available until 31 December 2019 and US$449,000 will be available until 31 December 2018.

(Amounts in '000s US Dollars)

The tax losses arising in the current and prior periods will reduce the Group's tax liability in the future and give rise to deferred tax assets. The Directors believe that it would not be prudent to recognise such tax assets before such time as the Group generates taxable income. Hence, no tax asset has been recognised.

11. SHARE CAPITAL AND RESERVES

	31 December 2012	31 December 2011
Number of Shares (no par value):		
Authorised	1,000,000,000	500,000,000
Issued and fully paid	**353,155,179**	**278,575,179**

Issue of shares

On the 6 February 2012, the Company raised £4.9 million (US$7.7 million) through the issue of 60.7 million new shares at a placing price of 8p per share (note 7). Further 6.07 million new shares in February 2012 were issued to satisfy commissions of the fund raising.

On the 28 February 2012, the Company raised £624,800 (US$971,500) through the issue of 7.8 million new shares at a placing price of 8p per share to private investors.

All of these shares have been admitted to the AIM market of the London Stock Exchange plc.

Issue of shares – comparative information

On the 22 March 2011, the Company raised £2.5 million (US$4 million) through the issue of 25 million new shares at a placing price of 10p per share (note 7). Further 2.5 million new shares in March 2011 and 0.5 million new shares in December 2011 were issued to satisfy commissions of the fund raising.

On the 16 December 2011, the Company issued 113,636 new shares to Robert Schafer, 93,749 new shares to Brian Savage and 5,682 to a senior employee at a placing price of 11.25p to satisfy £23,970 ($37,500) of outstanding fees.

All of these shares have been admitted to the AIM market of the London Stock Exchange plc.

Group reserves comprise the following:

Share capital
Amounts subscribed for share capital at proceeds received.

Share premium account
The share premium account represents the amounts received by the Company on the issue of its shares which was in excess of the nominal value of the terms of the shares prior to the shares being changed to having no par value.

Share options reserve
The balance held in the share options reserve relates to the fair value of the share options that have been charged to the profit or loss since adoption of IFRS 2.

Foreign currency translation reserve
The foreign currency translation reserve includes movements that relate to the retranslation of the subsidiaries whose functional currencies are not the US$.

(Amounts in '000s US Dollars)

Retained deficit
Cumulative net gains and losses recognised in the statement of comprehensive income less any amounts reflected directly in other reserves.

12. SHARE BASED PAYMENTS

a) Options Granted

During the period ended 31 December 2012 a total of 2,487,000 previously outstanding options expired resulting in a write back of US$549,000 in the Options Reserve (2011: US$726,000). During this period no new options were granted to key management and personnel (2011: US$940,000).

As of 31 December 2012, there were a total of 11,360,000 options and warrants outstanding (2011: 13,847,000). All of these instruments were fully vested and exercisable. They have maturities that vary between 6 March 2013 and 18 April 2016 with a weighted average strike price of 13p (2011: 14p).

On 23 April 2013 the Company awarded a total of 18.2 million new share options to Directors, key executives and employees at a strike price of 8.7p.

Options and Warrants Outstanding

Grant Date	Number of Shares	Expiry	Strike Price
5 March 2008	700,000	6 March 2013	18.5p
2 July 2008	300,000	2 July 2013	17p
18 April 2011	10,360,000	18 April 2016	12.675p

b) Shares for services

As stated in notes 8 and 11, during the year the Company to Lanstead in settlement of their commissions (note 8). The shares were valued at the face value of amounts payable under contracts for services, or the net amount of commission owed for share placings.

2012	US$ '000	Shares
Fees paid	-	-
Commissions	784	6,070,000
TOTAL	784	6,070,000

2011	US$ '000	Shares
Fees paid	38	213,067
Commissions	464	3,000,000
TOTAL	502	3,213,067

13. ADMINISTRATIVE EXPENSES

	31 December 2012	31 December 2011
Salaries, wages and Directors' fees	806	676
Travel and subsistence expenses	194	174
Professional fees	370	313
Investor relations	164	112
Foreign exchange differences	(93)	(13)
Share options grant	201	940
Other administrative expenses	108	690
	1,750	**2,892**

(Amounts in '000s US Dollars)

14. FINANCE EXPENSE

	31 December 2012	31 December 2011
Foreign exchange loss	10	218
Finance expense on Lanstead swap arrangement (note 8)	1,803	13
	1,813	**231**

15. PROFIT/(LOSS) PER SHARE

Basic and diluted loss per share are calculated and set out below. The effects of warrants and share options outstanding at the year ends are anti-dilutive and the total of 11.4 million (2011: 13.8 million) of potential ordinary shares have therefore been excluded from the following calculations:

	31 December 2012	31 December 2011
Net loss for the year	(3,998)	(4,608)
Weighted average number of shares used in the calculation of basic loss per share	345,146,217	271,788,676
Basic and diluted loss per share	**US$(0.012)**	**US$(0.017)**

16. DIRECTORS REMUNERATION

The aggregate remuneration of the Directors of the Company was as follows:

	Basic Salary	Fees	**Year Ended 31 December 2012**	Year ended 31 December 2011
Executive Directors				
Robin Young	238	-	238	206
Non-Executive Directors				
Robert Schafer	-	40	40	38
Brian Savage	-	35	35	33
	238	**75**	**313**	**277**

The following tables show the beneficial interests of the Directors who held office at the end of the year in the ordinary shares of the Company and the interests of the Directors in share options:

Shares	Shares held at 1 January 2012	Additions	Disposals	**Shares held at 31 December 2012**
Robert W. Schafer	146,969	-	-	146,969
Robin J. Young	1,587,160	-	-	1,587,160
Brian C. Savage	93,749	-	-	93,749

(Amounts in '000s US Dollars)

Options	Exercise Price	Options held at 1 January 2012	Options expired/lapsed during the year	Options granted during the year	**Options held at 31 December 2012**	Normal exercise dates
Robert W. Schafer	£0.18 ($0.28)	54,000	54,000	-	-	10.05.07 to 10.05.12
Robert W. Schafer	£0.12675 ($0.20)	2,400,000	-	-	2,400,000	18.04.11 to 18.04.16
Robin J. Young	£0.18 ($0.28)	486,000	486,000	-	-	10.05.07 to 10.05.12
Robin J. Young	£0.12675 ($0.20)	3,600,000	-	-	3,600,000	18.04.11 to 18.04.16
Brian C. Savage	£0.12675 ($0.20)	1,600,000	-	-	1,600,000	18.04.11 to 18.04.16

$ exercise prices are shown for indicative purposes only, calculated at 31 December 2012 exchange rates.

17. COMMITMENTS

Operating lease commitments
The Group leases various offices and other buildings under cancellable operating lease agreements. The leases have varying terms, and renewal rights and are immaterial to the Group.

Capital commitments
There were no material contracted commitments for capital purchases as at 31 December 2012 (2011: Nil). On 24 May 2013 the Company received formal notification that Rosnedra has completed the calculation of the one-time payment of 24.6 million Roubles (approximately US$818,000) to convert a portion of its exploration licence to a mining licence. This amount is payable within 30 days of the formal grant of the licence.

18. RELATED PARTIES

For the purposes of these financial statements, entities are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". In addition, other parties are considered to be related if they are under common control. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Details of transactions between the Group and related parties are disclosed below.

Compensation of Key Management Personnel

Key management personnel are considered to be the Directors and senior management of the Group

	31 December 2012	**31 December 2011**
Salaries and fees	511	412
Share-based payment	-	807
	511	**1,219**

(Amounts in '000s US Dollars)

19. UNIFIED SOCIAL TAX

The Russian subsidiary contributes to the Russian Federation state pension scheme, medical, social insurance and unemployment funds in respect of its staff. The Group's contribution amounts to 26% (2011 – 26%) of employees' salaries, and is expensed or capitalised to the exploration and evaluation asset as incurred.

20. FINANCIAL INSTRUMENTS

Financial instruments
The Group is exposed to risks that arise from its use of financial instruments. The main purpose of these financial instruments is to raise and utilise finance in the Group's operations.

The principle financial instruments used by the Group are as follows:

	31 December 2012	31 December 2011
Loans and receivables at amortised costs		
Cash and cash equivalents	2,048	4,436
Financial assets at fair value through profit or loss		
Derivative financial asset	5,787	2,001
Financial liabilities held at amortised costs		
Trade and other payables	119	102

The main risks arising from the Group's financial instruments are interest risk, liquidity risk and currency risk. The Directors review and agree policies for managing these risks and these are summarised below.

Liquidity risk
The Group manages its operations through equity and seeks to manage financial risk to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Management monitors rolling forecasts of the Group's and Company's liquidity reserve. The review consists of considering the liquidity of local markets, projecting cash flows and the level of liquid assets to meet these. Management raises additional capital financing when the review indicates this to be necessary.

The contractual maturities of the Group's financial liabilities are shown in the table below:

Group 2012	Carrying amount	Contractual cash flows	6 months or less
Trade and other payables	119	119	119
	119	119	119

Group 2011	Carrying amount	Contractual cash flows	6 months or less
Trade and other payables	102	102	102
	102	102	102

Credit risk
The credit risk on liquid funds is limited because the counterparties are banks with credit ratings assigned by international credit rating agencies.

(Amounts in '000s US Dollars)

The Group's maximum exposure to credit risk by class of individual financial instrument is shown in the table below:

Group	2012 Carrying value	2012 Maximum exposure	2011 Carrying value	2011 Maximum exposure
Cash and cash equivalents	2,048	2,048	4,436	4,436
Derivative financial asset	5,787	5,787	2,001	2,001
	7,835	7,835	6,437	6,437

Fair values
The fair values of the Group's cash in banks, prepayments and accounts payable are considered equal to the book value as they are all short term.

The derivative financial asset is measured subsequent to initial recognition at fair value by reference to the Company's share price and grouped into Levels 1 to 3 based on the degree to which the fair value is observable

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Level 2 fair value measurements at 31 December 2012

	Derivative financial asset 31 December 2012	Derivative financial asset 31 December 2011
Opening balance	2,001	3,806
Additions	7,666	4,044
Repayment	(3,445)	(4,344)
Net gains/(losses) recognised in income statement	(435)	(1,505)
Closing balance	**5,787**	**2,001**

Interest rate risk
The Group finances its operations through equity financing to alleviate the interest rate risk. The interest rate exposure of the financial assets of the Group as at 31 December 2012 related wholly to floating interest rates in respect of cash at bank. Cash at bank in interest bearing accounts was held in demand accounts with one-month maturities throughout the year. This policy was unchanged from 2011.

The Group is exposed to cash flow interest rate risk from its deposits of cash and cash equivalents with banks. The cash balances maintained by the Group are managed in order to ensure that the maximum level of interest is received for the available funds but without affecting working capital flexibility.

The Group is not currently exposed to cash flow interest rate risk on borrowings as it has no debt or fixed rate finance leases. No subsidiary of the Group is permitted to enter into any borrowing facility or lease agreement without the Company's prior consent.

Currency risk
The Group undertakes certain transactions denominated in foreign currencies hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters by holding bank deposits in Russian Roubles, US Dollars and Pound Sterling (GBP).

(Amounts in '000s US Dollars)

Management reviews its currency risk exposure periodically and hedges part of its exposure to the US dollar by buying and holding on deposit GBP. The Group also hold Roubles in order to cover a proportion of anticipated Rouble expenditures. As at 31 December 2012 the Group had on deposit approximately US$1,854,000 in GBP (2011: US$3,983,000) and US$118,000 in Rouble (2011: US$63,000) bank accounts.

An analysis of the Group's holdings of financial instruments in various currencies at the year end is as follows:

	31 December 2012		
		Denominated in	
	USD	RUR	GBP
Cash and cash equivalents	76	118	1,854
Derivative financial asset	-	-	5,787
Payables and accruals	(13)	(32)	(74)
Net Exposure	63	86	7,567

	31 December 2011		
		Denominated in	
	USD	RUR	GBP
Cash and cash equivalents	390	63	3,983
Derivative financial asset	-	-	2,001
Payables and accruals	(76)	(6)	(21)
Net Exposure	314	57	5,963

The main financial risk faced by the Group relates to currency risk exposure due to its Rouble based costs for exploration works. The Company's functional currency and financing is the USD, and therefore if the Rouble strengthens its positions against the USD, this has a negative impact on the Group. Given the unpredictability in currency exchange rates movement, this exposure can give rise to a material change (either favourable or unfavourable) in the future.

The following table details the Group's sensitivity to a 10% increase and decrease in the USD against the Russian rouble and sterling. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the USD strengthens 10% against the relevant currency. For a 10% weakening of the USD against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	Rouble Impact		**Sterling Impact**	
	2012	2011	2012	2011
Profit or loss	12	6	185	396

In the Directors' opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year. Rouble denominated expenditures is seasonal with higher volumes in the second and third quarters of the financial year.

21. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital (i.e. share capital, share premium and retained deficit) are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other shareholders.

The principal strategy of the Group to maintain the capital structure is to issue new shares.

The Group currently does not have any borrowings and none is planned in the next twelve months.

22. EVENTS AFTER THE REPORTING DATE

Award of Options
On 23 April 2013 the Company awarded a total of 18.2 million new share options to Directors, key executives and employees at a strike price of 8.7p.

Mining Licence Update
On 24 May 2013 the Company received formal notification that Rosnedra has completed the calculation of the one-time payment of 24.6 million Roubles (approximately US$818,000) to convert a portion of its exploration licence to a mining licence.