

8 April 2008

VANE Minerals Plc (AIM:VML)

(‘VANE’ or the ‘Company’)

Preliminary Results for the year ended 31 December 2007

Vane Minerals Plc (AIM:VML), today announces its preliminary results for the year ended 31 December 2007:

Highlights

- The portfolio of uranium properties continues to grow, with the acquisition of a number of new assets in Utah and Arizona.
- The Arizona breccia pipe and Utah uranium drilling programs returned encouraging results – for Utah, a positive step towards the Company’s aim of producing a resource estimate during the first half of 2008.
- The Diablito mine in the State of Nayarit, Mexico continued to operate smoothly.
- VANE’s San Dieguito de Arriba mill was commissioned, resolving the bottleneck associated with milling the Diablito ore. Full scale, 24/7, operation of the 100-120 ton per day mill began on 14th January 2008.
- A new programme has commenced focused on porphyry copper targets in the Southwestern USA and Northern Mexico and continues to develop and identify attractive targets.
- Paraguay officials issued an Exploration Permit for the Itabo concession that will allow VANE to proceed with our exploration programme, including drilling.
- Two convertible loans for an aggregate of £1.5 million were raised at attractive rates and more than £6 million was raised in a private placement of equity.
- Year-end cash balance £5,813,353

Steve Van Nort, Chief Executive Officer, commented "The past year has been one of determined progress for the Company, with significant growth of our uranium portfolio in the US through the acquisition of a number of new assets in Arizona and Utah. We continue to lead the way with regards to uranium exploration in highly prospective areas."

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Chief Executive Officer's Report and Review of Operations

I am pleased to present a review of your company at the end of a defining year for the business. Your company is well positioned to move ahead aggressively on a number of promising exploration programmes.

Uranium Exploration in USA

The decision by your company in late 2004 to move into the uranium sector was based on the assumption that in order to fulfil the energy requirements needed to keep or raise the standard of living around the world and at the same time reduce the apparent effects of the burning of fossil fuels on global warming, there needed to be more emphasis on increasing nuclear power generation, particularly in the USA. We believe a "home-grown" source of uranium will be key to the future of nuclear power; a significant source of energy in the US. Uranium prices at that time were about US\$19 per lb and they currently stand at US\$74 per lb (19th March source: UXC.com). Three years of productive acquisition and exploration coupled with a four-fold increase in the price of uranium has placed VANE in a very competitive position.

In the Northern Arizona Breccia Pipe District, drilling commenced in January 2007 and continues to date. That drilling has intersected uranium mineralisation at depth in the Red Dike, Big Red, and Miller Pipes. An additional pipe, Miller SW, was identified while drilling at Miller, and drilling there has intersected breccia, alteration and uranium mineralisation. These results have been published as part of various regulatory announcements issued during the year. All properties so far drilled warrant continued exploration, which is now in the planning stage. Drilling commenced on the Eastern Star property in late 2007 with encouraging results warranting further drilling. Identification and acquisition of new targets continued during the year with the list of properties now numbering 30 on which 39 targets have been identified. 20 are approved for drilling and applications for the remaining targets have been submitted. A technical report evaluating VANE's Arizona breccia pipe projects and conforming to Canadian National Instrument 43-101 standards was completed by SRK Consulting in October 2007.

In Utah we are evaluating a number of stratabound uranium targets. Drilling commenced in January 2007 on the North Wash property followed later in the year by drilling at Happy Jack and North Alice Extension. Drilling at North Wash confirmed historic data on claims now controlled by VANE and provided justification for continued exploration on that property. On the North Alice Extension project formerly held by Homestake Mining Co., 17 drill holes were completed that verified the limited historic data the Company holds as well as verifying mineralisation in an area where delineation drilling was completed. Drilling results have been published in press releases and the Company is in the process of completing an NI 43-101-compliant report on the North Wash and North Alice Extension projects. The Company plans to conduct a second round of drilling on these projects as well as at Happy Jack during 2008. A drilling permit on the North Alice Extension, for an additional 75 hole programme, has been granted and drilling is expected to commence imminently, weather permitting. An application is being processed on the North Wash and we anticipate this being granted shortly with drilling expected to commence soon after.

The Company added two geologists to its uranium team and continues to aggressively pursue acquisition and business opportunities both in the breccia pipe district and in the Utah/New Mexico/Colorado region.

The recent actions taken by environmentalist groups against the US authorities concerning uranium mining in the western USA were anticipated by the Company. The uranium industry has, for the most part, been dormant for two decades and the restart of activities naturally raises interest. The company entered the breccia pipe district of northern Arizona in 2004, confident that the proven, sound methods used by the mining industry since 1980 would hold up as activity resumed in the district. Many other companies are operating in the district, some having a larger presence than VANE, and those companies entered the district aware of impending opposition from the environmentalist lobby. VANE enjoys close relations with those companies and, regarding this issue, VANE and these companies are united in working to provide factual information to the public and to legislators to address the concerns raised.

Diablito Mine and Milling operations in Mexico

Through your company's 100% owned subsidiary, Minerales VANE SA de CV (MV), the Diablito mine continued to operate smoothly during the year, although dilution by barren rock adjacent to the vein from which we are mining continues to be an issue. 17,250 tonnes of "direct milling ore", i.e. material containing more than 300g/T silver and 3 g/T gold, was mined during 2007, averaging 1,438 tonnes per month, slightly below our target of 1,500 tonnes per month. Mine production of direct milling ore during the final six months of 2007 amounted to 7,300 tonnes which was stockpiled in anticipation of the start-up of our mill at San Dieguito de Arriba (SDA). An additional 7,848 tonnes of lower grade material, having a value in excess of \$50/T at

\$625/oz and \$14/oz gold and silver prices respectively, was mined during 2007 and has been separately stockpiled near the mine. Mining costs for this material have already been written off against direct milling ore on a monthly basis. Both the stockpiled direct milling ore, 7,300 tonnes, and the lower grade material, which at year end amounted to 10,706 tonnes (including 2,858 tonnes stockpiled during 2006), will be milled on a schedule determined by mill availability and metal prices. Direct milling ore produced during the first 6 months of the year was processed at the custom mill in Cosala. With commissioning of the SDA mill, transportation as well as milling costs have decreased sharply and scheduling has been greatly simplified.

Testing and shakedown of the SDA mill, located 30 km north of the Diablito mine, began in November 2007. The mill utilises the froth flotation process to treat 100-120 metric tonnes of ore per 24-hour day.

Full scale, 24/7, operation of the 100-120 ton per day mill began on 14 January, 2008. Mill feed is being supplied by daily mine production supplemented by stockpiled direct milling ore. Once that stockpile has been depleted, processing of stockpiled lower grade material averaging 1.4 g Au/T and 150 g Ag/T will be used to augment mine production.

Plans for mining and treatment of Diablito ore during 2008 are summarised below:

- Mine production is expected at the rate of 50-75 tonnes per day. Grades will vary but should be in a range of 200g to 400g silver/tonne and 2g to 4g gold/tonne.
- The mill will process 85-100 tonnes per day, assuming 85% availability, utilising 2008 mine production of direct milling ore and supplemented at the rate of 35-50 tonnes per day with direct milling ore stockpiled during 2007. Once the stockpile of direct milling ore has been exhausted, daily mine production will be supplemented from the lower grade stockpile.
- Plans are underway to increase mine production in order to take advantage of favourable metal prices.

New Southwestern USA Copper Exploration

A number of new porphyry copper targets in the Southwestern USA and Northern Mexico are being evaluated and prepared for drilling. The porphyry copper province of Southwestern Arizona is well known, with Arizona alone accounting for approximately 60% of the total annual US copper production. Political stability and relatively easy access combined with the high density of porphyry occurrences makes the Southwestern copper province one of the world's most prospective regions for the discovery of porphyry copper deposits.

Paraguay Gold Exploration

The issuance of an exploration permit covering the Itabo concession, 22,600 square kilometres in east-central Paraguay, enables us to proceed with drill testing of a number of attractive gold and gold-copper targets during the first half of 2008.

Guadalcazar Project, Mexico

Efforts to find a suitable joint venture partner to continue the exploration at Guadalcazar have proven unsuccessful and the project has been terminated with no further cost to VANE.

The Freeport-McMoRan Agreement

The Freeport-McMoRan Copper and Gold Agreement covering VANE's access to their exploration database, excluding Indonesia, was extended for an additional two years until 30 June 2009. This database, covering over 100 years of work, has now been largely examined and although the review activity will continue until the end of the current agreement, 30 June 2009, the directors have decided that as it is unlikely that further targets will be located using these files they have written the value down to zero at the end of 2007.

Principal Risks and Uncertainties

The directors believe that the principal matters which could affect the performance of the Company in the future:-

- The Company currently generates its only income from the Diablito mine and so in that respect it is dependent upon its smooth operation. We have an excellent relationship with the mining contractor, we have now commissioned our own mill and we have a well-defined resource which may well be extended after our current round of drilling.
- The mill at San Dieguito de Arriba is operating smoothly with supplies readily at hand and spare components, mainly pumps and motors, currently being sourced.

- While drill rig availability is tight, VANE has secured rigs to cover all of the ongoing exploration programmes in Mexico, Southwestern USA and Colorado Plateau. We are in discussions with a drilling company in Bolivia concerning our Paraguayan project.
- Additional drilling permits are under application and the timing on the granting of these can vary to a large degree.
- Changes to the US Mining Law of 1872, in legislation currently before the US Congress, may affect future operations in that royalties on minerals obtained from Federal Lands (claims) may be instigated.
- Political risk appears low in all our areas of operation. As Paraguay lacks a history of mining, matters related to property acquisition, permitting, bonding, etc. tend to move very slowly but once in place have so far gone very well. At this time we have no capital at risk and expect to complete the Stage I exploration drilling of our Itabo mining concession during 2008.
- The prices of gold and silver have risen over the last six months and, given the current economic climate, we do not anticipate a precipitous drop in the near future. Uranium oxide prices have fallen from their high of \$135 per pound in early 2007, but with world-wide demand for uranium on the increase again, we do not expect a dramatic price change in the near term.

Other important factors that could affect any one of your company's many operations, including Diablito, are unanticipated mining, milling and other processing problems, accidents that lead to personal injury or property damage, persistent commodity price reductions, changes in political, social or economic circumstances, variance in ore grades, labour relations, adverse weather conditions and other adverse financial market conditions. We continue to monitor all aspects of our programmes with a view to ensuring their continued success.

Relationships

The Company enjoys good relationships with all of its suppliers and professional advisers. The relationship with the Mexican mining contractor, COMINVI SA de CV, the principal drilling contractors in Mexico, Landrill International Mexico SA de CV and the principal drilling contractors in the USA, Del Rio Drilling and Pump, Bob Beeman Drilling and WDC Exploration & Wells Company, are key to our ongoing operations.

FINANCIAL REVIEW

Revenues

Revenues from the Diablito mine during the year have been lower than expected owing to the later than expected start of operations at the new SDA mill which has been constructed at San Dieguito de Arriba. Although the delay has been frustrating, the increase in commodity prices over the period has, so far, worked in our favour. Mine production has continued at approximately 1,500 tonnes per month during the last six months of the year, resulting in a stockpile of ore ready for processing. Processing and transport costs will be much reduced from those experienced during the last financial year, when the company had to ship its ore over 300 kilometres to a third-party mill which was not available at the convenience of VANE.

Results for the Year

Under its first full year of IFRS reporting, the Company reported a net loss after tax of £7,056,889 or 4.58 pence per share in 2007 (compared with £893,587 or 0.61 pence per share as reported under UK GAAP in 2006, which was revised to £766,204 or 0.52 pence per share following conversion to IFRS). Of the total net loss for the period, £5,685,314 was due to the impairment of exploration assets net of deferred tax write-back associated with the impairment giving an operating loss of £1,371,575 or 0.89 pence per share. The net impairment of £5,685,314 is explained by the table below.

	Expenses Written-Off	Impairment Adjustment	Deferred Tax Adjustment	Total
Guadalcazar Exploration	438,280	6,054,742	(1,695,328)	4,797,694
Freeport Agreement	0	1,118,232	(313,105)	805,127
Paraguay Exploration	82,493	0	0	82,493
Total	520,773	7,172,974	(2,008,433)	5,685,314

In the above table:

Column 1 represents expenses incurred and written off in subsidiary companies on discontinued projects.

Column 2 represents the impairment of the asset recognised when VANE Minerals plc acquired VANE Minerals Limited in December 2003.

Column 3 represents the adjustment to deferred tax as a result of the impairment in column 2.

The project for converting to IFRS reporting was completed in time for the Interim Statements to June 2007 to be produced in IFRS format. The Report and Accounts for the period to December 2007 is the first full period for which the Group has adopted IFRS.

Further Explanation of Asset Impairment

The majority of the loss reported for the year was due to the discontinuance of operations at Guadalcazar, and the relinquishing of the Company's option to purchase the property. Strenuous efforts were made to find a joint venture partner who would be able to take on the exploration and development of the resource at Guadalcazar, but as these proved unsuccessful after more than 12 months had passed, the Board decided to abandon these efforts in favour of pursuing the uranium exploration programme described above. The decision to impair the Guadalcazar carrying value down to zero in the balance sheet affected the balance sheet of the Mexican Subsidiary company Minerales VANE SV de CV by a total of MXN 9,585,662 (£438,280).

Changes in the structure of the Freeport-McMoran Copper and Gold Corporation have also made it unlikely that the access currently enjoyed by VANE to Freeport's accumulated data of mineral prospects will continue beyond June 2009 when the current agreement expires. This database, covering over 100 years of work, has now been largely examined and although the review activity will continue until the end of the current agreement, 30 June 2009, the directors have decided that as it is unlikely that further targets will be located using these files they have written the value down to zero at the end of 2007.

The combined impairment of both projects represents a loss on the consolidated balance sheet, net of the deferred tax adjustment, of £5,685,314.

Employee recruitment and retention

Although the company has no quantitative target for the number of employees it needs or retains, this metric is closely monitored. The company has an excellent record of retaining key staff.

During the year two new members have been added to the uranium team and no staff have left.

Significant Equity Events

In February 2007, Geiger Counter Limited subscribed for 1,000,000 ordinary shares at 15p per share, registered in the name of BNY (OCS) Nominees Limited.

In April 2007, the company raised a five year convertible loan of £1,000,000 from Geiger Counter Limited which attracts interest at 8% per annum, and is convertible at 29p per share.

In May 2007, Geiger Counter Limited and City Natural Resources High Yield Trust plc exercised their right to convert loan notes of £750,000 into shares at 12p per share, by the issuance of 6,250,000 shares.

In June 2007, a director, Robert Jeffcock, exercised 1,000,000 share options at a price of 11p per share, save for which none of the directors acquired or sold any shares of the company during the year.

In September 2007, the company arranged a further £500,000 five year convertible loan agreement with City Natural Resources High Yield Trust plc which enabled the Company to continue to pursue the uranium opportunities in the US detailed above and to complete the construction of the SDA mill. This new loan carries interest at 8% and can be converted at a price of 22.75p per share.

In November 2007, the company was successful in raising £6.25m by the sale of 35,714,285 new ordinary shares at a price of 17.5p per share. The placing was led by the company's new brokers Westwind Partners (now called Thomas Weisel Partners "TWP"). Net cash received after expenses was £5,841,104. The company's joint brokers, Ambrian (45,628) and TWP (668,657), now hold compensation options over a total of 714,285 shares at a price of 17.5p per share.

Following the issue of shares detailed above, there were a total of 190,108,108 ordinary shares in issue at the year end.

Cash Position

The Company had closing cash balances across the group at year end totalling £5,813,353.

Key Performance Indicators

There are a number of key performance indicators that are reviewed regularly by the Board as set out below in respect of 2007:-

Item	Actual	Target	Comment
Production monthly tonnage	1,438	1,500	The average monthly production for 2007 was just below the target.
Maintenance of Mineral Grades	3.4g Au 283g Ag	4.00g Au 550g Ag	Due to the narrow vein we continue to experience significant dilution of the anticipated grades.
Gross Margin per tonne of production	\$121	\$142	This figure is calculated over the six months of the year in which ore was shipped to the smelter. Shipments were suspended, and ore stock piled, during the last six months of the year pending the commissioning of our own Mill facilities. The value is lower than planned owing to reduction in mineral grades.
Cash balances	£5.8 million	£0.7 million	The major fund-raising during the year has ensured sufficient cash to carry out the aggressive uranium drilling programme. Strong cash flows from Diablito are expected as the stockpiled ore is processed. Cash flows from the Diablito mine cover most of the expenses of the rest of the company outside of the uranium exploration activity and any extraordinary items such as fund-raising expenses.

Outlook

Despite the current selling off of equities world-wide, which the AIM market has not escaped and which is reflected in depressed share prices for a great many junior mining stocks, VANE is in a strong position with a robust portfolio of properties. We have built up and are continuing to build both the uranium and porphyry copper exploration portfolios. Our strong cash position, plus healthy cash flow from Diablito will enable your company to ride through these difficult financial markets. During the last six months, gold and silver prices have been strong, driven by the weakness of the dollar and "recession protection" buying, if the prices remain high this will enable the stockpiled ore to be sold at higher prices than expected.

Your Company, with its strong financial footing, continues to evaluate a range of prospective targets, primarily uranium in the Colorado Plateau Uranium District, gold and silver in Mexico and Paraguay, and copper in Southwestern USA/Northern Mexico and Paraguay. As indicated above, drilling, which is the key to discovery of mineral deposits, will be our first order of business going forward in all our primary areas of interest.

Your board would like to take this opportunity to thank our shareholders for your continued support.

Steven D Van Nort, CEO

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Notes	Unaudited 2007 £	Unaudited 2006 £
Revenue	4	1,370,735	1,592,632
Cost of sales		(1,570,849)	(957,740)
Gross (loss) / profit		(200,114)	634,892
Operating and administrative expenses		(1,480,114)	(1,183,733)
Impairment of exploration costs		(7,693,747)	(316,825)
Operating loss		(9,373,975)	(865,666)
Income from investments		40,367	19,381
Finance costs		(100,924)	(25,598)
Loss before taxation		(9,434,532)	(871,883)
Taxation		2,377,643	105,679
Loss for the year	4	(7,056,889)	(766,204)
<p>All the above group's results relate to continuing operations.</p>			
Loss per share			
Basic & Diluted	6	(4.58p)	(0.52p)

CONSOLIDATED BALANCE SHEET

31 December 2007

	Unaudited 2007 £	Unaudited 2006 £
Non current assets		
Investments	213,571	-
Intangible assets	925,015	7,828,224
Property, plant and equipment	3,644,707	3,737,359
	<u>4,783,293</u>	<u>11,565,583</u>
Current assets		
Inventories	545,016	579,668
Trade and other receivables	249,263	228,990
Cash and cash equivalents	5,813,353	624,374
	<u>6,607,632</u>	<u>1,433,032</u>
Total assets	<u>11,390,925</u>	<u>12,998,615</u>
Current liabilities		
Trade and other payables	(269,436)	(194,875)
Taxation	(10,358)	(4,107)
	<u>(279,794)</u>	<u>(198,982)</u>
Non current liabilities		
Convertible loan notes	(1,386,129)	(676,474)
Obligations under finance leases	(6,825)	(7,454)
Deferred tax	(396,892)	(2,785,073)
Provisions	(37,500)	-
	<u>(1,827,346)</u>	<u>(3,469,001)</u>
Total liabilities	<u>(2,107,140)</u>	<u>(3,667,983)</u>
Net assets	<u>9,283,785</u>	<u>9,330,632</u>
Equity attributable to equity holders of the parent		
Share capital	19,010,811	14,614,382
Share premium account	2,359,071	-
Share option reserve	195,203	143,769
Other reserves	261,220	79,628
Cumulative translation reserve	(262,686)	(233,822)
Retained loss	(12,279,834)	(5,273,325)
Equity	<u>9,283,785</u>	<u>9,330,632</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)

For the year ended 31 December 2007

	Share capital £	Share Premium £	Share Option reserve £	Other reserves £	Cumulative translation reserves £	Retained loss £	Total £
Balance at 1 January 2006	14,614,382	-	95,100	-	43,957	(4,507,121)	10,246,318
Changes in equity for 2006							
Exchange differences arising on translation of foreign operations	-	-	-	-	(277,779)	-	(277,779)
Loss for the year	-	-	-	-	-	(766,204)	(766,204)
Total recognised income and expense for the year	-	-	-	-	(277,779)	(766,204)	(1,043,983)
Equity component of convertible loan note	-	-	-	79,628	-	-	79,628
Equity share options issued	-	-	48,669	-	-	-	48,669
Balance at 31 December 2006	14,614,382	-	143,769	79,628	(233,822)	(5,273,325)	9,330,632
Changes in equity for 2007							
Exchange differences arising on translation of foreign operations	-	-	-	-	(28,864)	-	(28,864)
Loss for the year	-	-	-	-	-	(7,056,889)	(7,056,889)
Total recognised income and expense for the year	-	-	-	-	(28,864)	(7,056,889)	(7,085,753)
Issue of share capital	4,396,429	2,359,071	-	-	-	-	6,755,500
Equity component of convertible loan note	-	-	-	123,216	-	-	123,216
Share based payment	-	-	101,814	-	-	-	101,814
Gain on conversion of convertible loan note	-	-	-	58,376	-	-	58,376
Transfer on share option exercise	-	-	(50,380)	-	-	50,380	-
Balance at 31 December 2007	19,010,811	2,359,071	195,203	261,220	(262,686)	(12,279,834)	9,283,785

CONSOLIDATED CASH FLOW STATEMENT

For the year end 31 December 2007

	Unaudited 2007 £	Unaudited 2006 £
Cash flow from operating activities		
Loss before taxation	(9,434,532)	(871,883)
Income from investments	(40,367)	(19,381)
Finance costs	100,924	25,598
Adjustments for:		
Depreciation of property, plant and equipment	537,039	518,963
Impairment of intangible assets	7,693,747	316,825
Share based payments	101,814	48,669
Effect of foreign exchange rate changes	(320)	(62,106)
Operating cash outflow before movements in working capital	(1,041,695)	(43,315)
Decrease / (increase) in inventories	34,652	(456,775)
(Decrease) / increase in trade and other receivables	(20,273)	33,518
Increase in trade and other payables	69,999	41,392
Cash generated from operations	(957,317)	(425,180)
Income tax recovered / (paid)	159	(6,875)
Interest paid	(89,123)	(19,496)
Net cash used in operating activities	(1,046,281)	(451,551)
Cash flow from investing activities		
Interest received	40,367	19,381
Purchase of property, plant and equipment	(407,132)	(148,206)
Purchase of investments	(213,571)	-
Purchases of intangible assets	(804,957)	(252,520)
Net cash used in investment activities	(1,385,293)	(381,345)
Cash flow from financing activities		
Repayment of obligations under finance leases	(6,374)	-
Proceeds from the issue of share capital	6,510,000	-
Issue costs paid	(379,500)	-
Proceeds from the issue of convertible loan notes	1,500,000	750,000
Net cash from financing activities	7,624,126	750,000
Net increase / (decrease) in cash and cash equivalents	5,192,552	(82,896)
Cash and cash equivalents at beginning of year	624,374	731,932
Effect of foreign exchange rate changes	(3,573)	(24,662)
Cash and cash equivalents at end of year	5,813,353	624,374

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

1. BASIS OF PREPARATION

The financial information for the year ended 31 December 2007 has not been audited and does not constitute the Company's statutory financial statements within the meaning of S240 of the Companies Act 1985. This preliminary announcement was approved by the Board on 7 April 2008.

The statutory financial statements for the year ended 31 December 2007 have not been filed with the Registrar of Companies nor reported on by the Company's auditors. They will be circulated to shareholders in April 2008 and the Annual General Meeting is arranged to take place on 20 May 2007.

The comparative results for the year ended 31 December 2006 are an abridged version of the UK GAAP audited financial statements which have been filed with the UK Registrar of Companies and on which the auditors issued an unqualified audit report, and but which have now been converted to IFRS as detailed in the previous announcement of the interim results to June 2007.

2. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared on a basis consistent with International Accounting and Financial Reporting Standards ("IFRS") as adopted in the EU.

The financial statements are presented in British pounds as this is the currency in which the majority of the Group's transactions are denominated.

The company is domiciled in the United Kingdom. The company is listed on the Alternative Investment Market stock exchange.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The principal accounting policies adopted are set out below.

ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the Group has adopted IFRS7 "Financial Instruments: Disclosures", which is effective for annual reporting periods beginning on or after 1 January 2007, and the related amendment to IAS1 "Presentation of Financial Statements". The impact of the adoption of IFRS7 and the changes to IAS1 has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and the management of capital. Four interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are IFRIC7 "Applying the Restatement Approach under IAS 29", "Financial Reporting in Hyperinflationary Economies"; IFRIC8 Scope of IFRS2; IFRIC9 "Reassessment of Embedded Derivatives"; and IFRIC10 "Interim Financial Reporting and Impairment". The adoption of these Interpretations has not led to any changes in the Group's accounting policies.

At the date of authorisation of these financial statements, the following Standards and Interpretations that have not been applied in these financial statements were in issue but not yet effective or endorsed (unless otherwise stated):

IFRS 2	Share based payment – Amendments relating to vesting conditions and cancellations
IFRS 3	Business Combinations – Amendments
IFRS 7	Financial Instruments: Disclosures – Consequential amendments arising from amendments to IAS32
IFRS 8	Operating Segments (endorsed)
IAS 1	Presentation of Financial Statements – Revised
IAS 1	Presentation of Financial Statements – Amendments relating to Puttable Financial Instruments and obligations arising on liquidation

IAS 23	Borrowing Costs – Amendment
IAS 27	Consolidated and separate Financial Statements – Consequential amendments arising from amendments from IFRS3
IAS 28	Investments in Associates – Consequential amendments arising from amendments to IFRS3
IAS 31	Interest in Joint Ventures – Consequential amendments arising from amendments to IFRS3
IAS 32	Financial Instruments: Presentation – Amendments relating to Puttable Financial Instruments and obligations arising on liquidation
IAS 39	Financial Instruments: Recognition and Measurement – Consequential amendments arising from amendments to IAS 32
IFRIC 2	Members' Shares in Co-operative Entities and Similar Instruments – Consequential amendments arising from amendments to IAS 32
IFRIC 11	IFRS 2 - Group and Treasury Share Transactions (endorsed)
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer loyalty programmes
IFRIC 14	IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group, except for additional segment disclosures when IFRS 8 comes into effect for periods commencing on or after 1 January 2009.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate those of Vane Minerals Plc (“the Company”) and all its subsidiary undertakings (together, “the Group”). All financial statements are made up to 31 December 2007.

Subsidiary undertakings are those entities controlled directly or indirectly by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of the acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

All intercompany transactions and balances between group enterprises are eliminated on consolidation.

INVESTMENTS

Long term investments representing interests in subsidiary undertakings are stated at cost less any provision for impairment in the value of the non-current investment.

INTANGIBLE ASSETS

The Group applies the full cost method of accounting for Exploration and Evaluation costs, having regard to the requirements of IFRS 6 Exploration for and Evaluation of Mineral Resources.

Expenditure including related overheads on the acquisition, exploration and evaluation of interests in licences not yet transferred to the cost pool is capitalised under intangible assets once it has been established that there are resources present that may be capable of recovery. Cost pools are established on the basis of geographic area. When it is determined that such costs will be recouped through successful development and exploitation or alternatively by sale of the interest, expenditure will be transferred to property, plant and equipment and depreciated over the expected productive life of the asset. Whenever a project is considered no longer viable the associated exploration expenditure is written off to the income statement.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset into use.

Depreciation is provided on all property, plant and equipment at rates calculated to write assets down to their estimated residual value evenly over their useful economic lives at the following rates:

- Diablito mine over the life of the mine
- Ore Processing Mill over 10 years
- Plant & machinery over 5 to 10 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

REVENUE RECOGNITION

Revenue from the sale of minerals is recognised when persuasive evidence, usually in the form of an executed sales agreement, of an arrangement exists indicating that there has been a transfer of risks and rewards to the customer, no further work or processing is required by the Group, the quantity and quality of the goods has been determined with reasonable accuracy, the price is fixed or determinable, and collectability is reasonably assured. This is generally when title passes.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

FOREIGN CURRENCIES

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operated (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in pound sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

Transactions in currencies other than the functional currency of each group company ("foreign currencies") are recorded in the functional currency at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated into the functional currency at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Gains and losses arising on translation are included in net profit or loss for that period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

For the purpose of presenting consolidated financial statements, the income statement and balance sheet of foreign operations and foreign entities are translated into the functional currency (pound sterling) on consolidation at the average rates for the period and the rates prevailing at the balance sheet dates respectively. Exchange gains and losses arising on the translation of the group's net investment in foreign operations and foreign entities, are recognised as a separate component of shareholders' equity. On disposal of foreign operations and foreign entities, the cumulative translation differences are recycled to the income statement and recognised as part of the gain or loss on disposal.

Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group has elected to treat fair value adjustments arising on acquisitions before the date of transition to IFRS as pound sterling denominated assets and liabilities.

The most important foreign currencies for the Group are the US dollar and the Mexican peso. The relevant exchange rates for these currencies in sterling were:

	31 December 2007 average	31 December 2007 closing	31 December 2006 average	31 December 2006 closing
US dollar	2.0015	1.9856	1.8426	1.9617
Mexican peso	21.8711	21.6783	20.0915	21.2893

RETIREMENT BENEFITS

The Group makes contributions to the personal pension schemes for some of its employees and directors. Payments to these schemes are charged as an expense in the income statement in respect of pension costs payable in the year. There were no unpaid contributions at the period end.

TAXATION

The tax amount in the income statement represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable result for the period. Taxable result differs from result as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities for financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent

that it is no longer probable that sufficient profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based upon rates enacted or substantially enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS EXCLUDING GOODWILL

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Goodwill arising on acquisition is allocated to cash-generating units. The recoverable amount of the cash-generating unit to which goodwill has been allocated is tested for impairment annually, or on such other occasions that events or changes in circumstance indicate that it might be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. However, impairment losses relating to goodwill may not be reversed.

FINANCIAL INSTRUMENTS

The following policies for financial instruments have been applied in the preparation of the Group's financial statements. Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash with three months or less remaining to maturity and are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade and other receivables do not carry any interest and are initially stated at their fair value and subsequently at amortised cost using the effective interest rate method as reduced by appropriate allowances for estimated irrecoverable amounts.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying value is reduced through the use of an allowance

account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the income statement. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the income statement to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed the amount the amortised cost would have been had impairment not been recognised.

Trade payables

Trade payables are not interest bearing and are stated initially at their fair value and are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

CONVERTIBLE LOAN NOTES

Convertible loan notes are regarded as compound financial instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loan notes and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group is included in equity.

Issue costs are apportioned between the liability and equity components of the notes based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loan note.

SHARE-BASED PAYMENTS

The Group operates an equity-settled share option plan. The fair value of the employee service received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Fair value is measured by use of a Monte Carlo valuation model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations.

The proceeds received are credited to share capital (nominal value) and share premium when the options are exercised. The costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that would otherwise have been avoided.

PROVISIONS

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the present value of the expenditure required to settle the obligation at the balance sheet date.

DECOMMISSIONING

Provision for decommissioning is recognised in full when the related facilities are installed. The decommissioning provision is calculated as the net present value of the Group's share of the expenditure expected to be incurred at the end of the producing life of the facility in the removal and decommissioning of the production, storage and transportation facilities currently in place. The cost of recognising the decommissioning provision is included as part of the cost of the relevant asset and is thus charged to the income statement on a unit of production basis in accordance with the Group's policy for depletion and depreciation of property, plant and equipment. Period charges for changes in the net present value of the decommissioning provision arising from discounting are included in finance costs.

SEGMENTAL REPORTING

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

CRITICAL RISKS AND UNCERTAINTIES

The accounting policies have been prepared to consider all relevant matters relating to the preparation of the financial statements of the group. The directors have reviewed all available data and taken professional advice as required to consider the current estimated life of the Diablito mine in Mexico. From the information available their current estimate is 6 years.

4. SEGMENTAL INFORMATION

For management purposes, the Group is organised into four operating divisions: UK, USA, Paraguay and Mexico. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these divisions is presented below. The tables show the geographic segmentation of the Group. Activities in Mexico are currently concerned with gold and silver mining and exploration.

Activities in the USA are split between research of the Freeport database and other sources for further gold and silver properties, and research and evaluation of potential uranium properties. Activities in Paraguay are concerned with gold and copper exploration. Activities in the United Kingdom are concerned with administration and management of the Group.

	2007	2006
	£	£
Revenue		
UK	-	-
USA	-	-
Mexico	1,370,735	1,592,632
Paraguay	-	-
	-----	-----
	1,370,735	1,592,632
	-----	-----
Segmental result		
UK	(612,125)	(524,391)
USA	(1,275,920)	(61,177)
Mexico	(7,335,757)	(287,638)
Paraguay	(210,730)	1,323
	-----	-----
	(9,434,532)	(871,883)
Current and deferred tax	2,377,643	105,679
Loss after taxation	(7,056,889)	(766,204)
	-----	-----
Depreciation		
UK	-	-
USA	2,542	-
Mexico	534,497	518,963
Paraguay	-	-
	-----	-----
	537,039	518,963
	-----	-----

The average number of employees for the year for each of the Group's principal divisions was as follows:

	2007	2006
	Number	Number
UK	2	2
USA	5	4
Mexico	24	11
Paraguay	-	-
	-----	-----
	31	17
	-----	-----

	2007 £	2006 £
Balance Sheet		
Segment Assets		
UK	18,797,372	11,738,441
USA	892,841	1,285,489
Mexico	4,393,017	11,151,008
Paraguay	156,991	125,247
Eliminated on consolidation	(12,849,296)	(11,301,570)
	-----	-----
Total Assets	11,390,925	12,998,615
	-----	-----
Segment Liabilities		
UK	1,541,884	761,337
USA	41,152	28,918
Mexico	116,854	88,548
Paraguay	-	-
Eliminated on consolidation	-	-
	-----	-----
Segment Liabilities	1,699,890	878,803
Current and Deferred Tax	407,250	2,789,180
	-----	-----
Total liabilities	2,107,140	3,667,983
	-----	-----
Capital Additions		
UK	-	-
USA	693,738	97,516
Mexico	380,179	186,349
Paraguay	148,480	125,247
	-----	-----
	1,222,397	409,112
	-----	-----
Net Assets		
UK	4,406,192	(319,998)
USA	851,689	1,252,102
Mexico	3,868,913	8,273,281
Paraguay	156,991	125,247
	-----	-----
	9,283,785	9,330,632
	-----	-----
Impairment		
UK	-	-
USA	1,118,232	-
Mexico	6,493,022	316,825
Paraguay	82,493	-
	-----	-----
	7,693,747	316,825
	-----	-----

All the assets of the company relate to the mining operations in Mexico, USA and Paraguay or for administration operations to support the mining.

The group carries on operations in only one business segment namely the exploration and mining of minerals and so no secondary segment disclosures are given. The business segmentation effectively follows the geographic segmentation given above.

5. TAXATION

	2007 £	2006 £
Current tax:		
Foreign Tax	6,092	6,876
	<hr/>	<hr/>
Total current tax	6,092	6,876
	<hr/>	<hr/>
Deferred tax:		
Origination and reversal of timing differences	(375,302)	(112,555)
Reversal from impairment review	(2,008,433)	-
	<hr/>	<hr/>
	(2,383,735)	(112,555)
	<hr/>	<hr/>
Tax on loss for the year	(2,377,643)	(105,679)
	<hr/>	<hr/>
The charge for the year can be reconciled to the loss per the income statement as follows:		
Loss before tax	(9,434,532)	(871,883)
	<hr/>	<hr/>
Loss multiplied by the rate of corporation tax for companies of 30% (2006: 30%)	(2,830,360)	(261,565)
Effects of:		
Expenses not deductible for tax purposes	63,044	84,924
Tax relief on share options exercised	(38,250)	-
Share based payments	30,544	-
Unrelieved tax losses carried forward	310,103	61,134
Other adjustments	76,913	2,952
Foreign Tax	10,363	6,876
	<hr/>	<hr/>
Tax charge for year	(2,377,643)	(105,679)
	<hr/>	<hr/>

Unrelieved UK tax losses of £2,363,373 (2006: £1,681,145) carried forward have not been recognised as a deferred tax asset, as there is currently insufficient evidence that the asset will be recoverable in the foreseeable future. The losses must be utilised in relation to the same operations.

Tax for other jurisdictions is provided at rates prevailing in those countries.

6. LOSS PER ORDINARY SHARE

The calculation of basic and diluted loss per ordinary share is based on the following loss and number of shares.

	2007 £	2006 £
Earnings		
Earnings for the purpose of basic loss per share (net loss for the year)	(7,056,889)	(766,204)
	_____	_____
Number of shares		
Weighted average number of shares for the purposes of basic loss per share	154,084,234	146,143,823
	_____	_____
Share options in issue		
Weighted average number of shares for the purposes of diluted loss per share	156,419,217	146,143,823
	_____	_____

As a result of the losses incurred, there is no dilutive effect from the subsisting share options.