African Mining & Exploration plc

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

CONTENTS

COMPANY INFORMATION

Directors	M J Churchouse	Executive Director
	M C Jones	Executive Director
	D D Chikohora	Non-Executive Director
	S D Oke	Non-Executive Director
	R A Williams	Non-Executive Director

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CHAIRMAN'S STATEMENT

I am delighted to present the inaugural Chairman's Statement for the Company following its admission to trading on the Alternative Investment Market ("Admission") on 1st November 2010. Our Company is focused on the exploration and subsequent development of gold assets in West Africa. Mali, our initial country of operation, is the third largest gold producer in Africa and has a long and rich history of gold discoveries. We believe that our current licenses have the potential for providing a significant resource base but also we are seeking opportunities to expand our areas of interest in additional geologically prospective areas. Although we have only been a public company for a short time period, significant progress has been made in furthering our geological knowledge of our license areas through undertaking the proposed exploration programme. On Admission the Company became the sole owner of New Mines which through Tobon Tondo, a company incorporated in Mali and a wholly owned subsidiary of New Mines, the Company holds the mining exploration permits for the Karan and Diatissan permit areas.

At the time of Admission, the Company raised £4.3 million net of expenses that is now being utilised principally to conduct a detailed exploration programme on the Company's two properties in Mali. As outlined in our Admission document our initial focus of activity has been on the Karan license which covers some 250 square kilometres. The Company has completed more than 100 line kilometres of ground magnetic geophysics and identified approximately 8km of highly prospective structures. These structures are consistent with what is found elsewhere in Mali in similar terrain. The fact that many of these structures are coincident with active artisanal mining suggests that the Company has identified highly prospective gold bearing targets. The first phase of the Company's planned drilling programme has been completed and in excess of 12,000 metres have been drilled with all samples having been assayed. It is apparent from the results of this first phase, that gold mineralisation has been confirmed and large low grade gold halos have been intersected along with high grade intercepts of up to 11 g/t Au. Exploration remains at an early stage however and the next phase aims to improve our understanding of the structures controlling mineralization.

The Company and its management are cognisant of its social and environmental responsibilities in the areas in which it operates and is committed to the development and maintenance of good relationships with stakeholder communities. To this end, the board has formulated a Community Relations policy which focuses on the positive interaction with the local community especially bearing in mind the significant artisanal mining which is taking place. This policy is being implemented and already forms the basis for effective community relations in our license areas as required by the Government.

The market in which we operate continues to be strong. The gold price has been rising in all currencies for the last 10 years. With the quantitative easing measures implemented in the US, the UK and elsewhere, and the debt crises in many developed economies, the investment interest in gold is high. New mine supply of gold is declining. The continent of Africa has a rich affinity with gold and many parts of it remain under-explored, including the southern and western parts of Mali where the Company's permits are located. New discoveries require focus and passion, a methodical approach to geological programmes as well as creative thinking and strong technical skills. I believe the Company has such attributes in its people.

The speed at which progress on the ground has been made is very impressive and I would like to thank the Executive Directors and staff for their continued commitment. Mark Jones, our Chief Executive has built a strong management team and it is to his credit that the Company has developed so rapidly. Additionally, I would like to thank all the Company's stakeholders for their strong support both during and post the Company's Admission. I would also like to welcome Roger Williams to the Board of the Company as a Non-Executive Director, who now chairs the Company's Audit Committee. The addition of Roger will add to the Board's strength as he brings with him extensive experience in both the region and the gold industry. I look forward to the coming year, which I hope will be exciting and rewarding for the Company and its shareholders.

Stephen D Oke
Chairman
19 May 2011

CHIEF EXECUTIVE'S REPORT

Since our initial fund raising and subsequent Admission to the Alternative Investment Market (AIM), we have achieved some significant milestones and I intend to give an operational update on each of our projects.

Social Responsibility

We have excellent relationships with the local population at both our exploration sites. This has developed over a period of almost 15 years at Diatissan and over 6 years at Karan, through our local subsidiary Tobon Tondo. The commencement of our drilling programme provided an opportunity to formally implement AME's Community Relations Policy on the ground to ensure we would meet both Malian requirements and international best practice.

An inaugural 'Town Hall' meeting was held in mid February at the local school attended by the deputy Mayor, the chief of Karan village, village elders and representatives of women and youth groups. We set out our proposed work programme and gave everyone a chance to discuss the potential impact. It was a tremendous success with each representative sharing their view on the benefits that will accrue to the local population from employment and the attendant economic injection should the programme deliver on its goals. All urged us to move ahead quickly, and gave us their full support.

Subsequent meetings have confirmed their ongoing support.

Karan License

In March of this year, the Company announced that the Phase 1 drill programme had commenced on the Karan Exploration License. This followed a previous announcement issued on the 7 February 2011, when the Company stated that it was to drill an initial 12,400 metre reverse circulation drill programme focusing on a number of priority targets.

Evidence accumulated to date from recent and historic exploration suggests the presence of gold mineralisation associated with a regional shear zone that extends north to south across the Karan License with smaller cross-cutting and sub-parallel faults occurring within this structural corridor. The intent of the Phase 1 drill programme was firstly to establish and confirm the presence of gold mineralisation at a number of priority targets where artisanal gold mining has taken place and secondly, to broadly define those structures that may be controlling the distribution of gold mineralisation. The target area is substantial and gaining an understanding of the underlying geology is complicated by the presence of a laterite cover and a thick saprolite layer of highly weathered rocks extending in some cases to 100 metres in depth.

Fintakourouni Target

The drilling programme started in mid February and was completed in the second week of April. Drilling initially centred on the Fintakourouni target located in the north of the Karan License. A total of 11 RC holes were drilled of which 8 holes were drilled along a wide-spaced fence line over a strike length of approximately 500m specifically to test for the linear structure being followed by artisanal mining and the remaining three holes used to test a chargeability anomaly generated by an IP-resistivity survey and one hole drilled back across RC11FIN002 to test the mineralisation intersected between 142m and 156m depth.

CHIEF EXECUTIVE'S REPORT

Drilling has intersected a suite of highly weathered metasediments and volcanic intrusive rocks prevalent in the area, together with encouraging evidence of alteration, sulphide mineralisation and quartz veining.

The initial agreement with the Assay laboratory of a 10 day turnaround for assay results was highly compromised by their operational constraints, and unfortunately the turn around time extended to four weeks. However, the results are now in and show encouraging mineralization with intersections of 14m at 0.51 g/t, 6m at 1.02 g/t and 3m at 1.82

Kouroudjin Target
A fence of 12 holes was drilled across the target focusing on regional structure defined by airborne geophysics complemented by artisanal pits.

The local geology is dominated by a fine grained schist with moderate chlorite alteration intruded by a porphyritic unit. Silicification, quartz veining and pyrite are common throughout and appear to show more intensity proximal to the contact with the intrusion and schist. Encouragingly these areas show increased gold mineralisation.

Peak intersections of 17m at 1.03g/t, 9m at 1.17g/t, 6m at 1.04g/t and 7m at 0.84g/t along with 2m at 3.9 g/t, 1m at 11.75g/t and 1m at 8.62g/t show the presence of both high-grade intersections generally associated with quartz veins and lower grade wider zones typically associated with disseminated sulphides and quartz stockwork alteration. This is most encouraging and we look forward to results of our next phase of exploration.

According to geophysical data and interpretation, there are a substantial number of conjugate structures present which appear to be associated with mineralisation. Further work including diamond drilling is required to achieve a better understanding of the structures and the relationship with mineralisation.

Mana Target
5 holes were drilled to test the Mana target. Unfortunately, 3 holes collapsed and only 2 holes were completed to plan. However, the results were encouraging as drilling intersected a dark fine grained schist and porphyritic intrusion, giving significant intercepts of low grade mineralization; 39m at 0.21 g/t and 101m of 0.11 g/t. As intrusions are believed to be an important control in gold mineralisation in the region, the size of the intrusion and the addition of two higher grade intercepts of 3m at 1.22g/t and 1m at 5.88 g/t make this target most prospective.

Koukouroula Target
55 holes were drilled over Koukouroula which is an area dominated by artisanal workings. The geology of Koukouroula is predominantly made up of dark fine grained schist, with minor porphyritic intrusions and significant quartz veining is common throughout the area, reaching up to 20m wide intercepts and commonly associated with low-grade but anomalous gold mineralisation. Whilst the level of alteration is notable, the assay results showed little high grade mineralisation.

CHIEF EXECUTIVE'S REPORT

continued

Diatissan License

The Diatissan License is located in the West of Mali in a greenstone belt that includes the world class Sadiola and Loulo mines.

At the time of Admission, the Directors disclosed that an application had been submitted to the Mali Ministry of Mines for renewal of an Exploration License over the 16 square kilometres Diatissan License. AME has now received notification by the Ministry of Mines in Mali that this licence has been renewed for an initial period of 3 years (in accordance with the Mali Mining Code) with two further 3 year extensions providing the Company meets its obligations in terms of reporting and work programme commitments over the licence period.

The Diatissan concession exhibits many attributes favourable for the discovery of economic gold deposits. We have already reported that a number of gold in soil anomalies have been identified with peak soil samples returning in excess of 1g/t Au and impressive trench grades also being achieved with peak intersections of 14m at 14.48 g/t; 14m at 43.76 g/t; and 30m at 22.85 g/t.

The Directors propose undertaking an initial 12-month work programme, commencing May this year for the Diatissan prospect starting with the compilation of all available reports and data to a centralised database. We then plan to complete a structural analysis of the tenement, mapping and sampling of the artisanal pits as well as re-sampling of the trenches. This will be followed by a programme of RAB drilling, which if the rainy season allows could start as early as June. The results of this will then allow us to target additional drilling programmes scheduled to commence at the end of the year when the rainy season has finished.

Coarse grained gold potential

Artisanal mining at Karan has shown the presence of coarse-grained gold (+ 0.1 mm) on the property. Routine sample preparation for fire assay can undervalue grades where coarse-grained gold is present. Now that we have completed assays using the routine process, it is our intention to check grades in representative mineralised holes using the significantly higher-cost screened fire assay method to ensure that we have not failed to capture coarse-grained gold in the results. This means that mineralised intersections may return higher grades than previously identified.

Screened fire assay takes considerably longer to complete, we therefore do not expect initial results for approximately 6 weeks. We will update shareholders and the general market once the programme is finished.

Mark C Jones
Chief Executive Officer
19 May 2011

REPORT OF THE DIRECTORS

The Directors present their report with the financial statements of the Company and the Group for the year ended 31 December 2010.

Principal Activities
The principal activities of the Group in the year under review were those of mining and exploration primarily of gold in two separate locations in Republic of Mali, namely Karan and Diatissan.

Events since the Reporting Date
Information relating to events since the reporting date is given in the notes to the financial statements.

Principal Risks and Uncertainties
The Group expects to continue to incur losses unless and until such time as its projects enter into commercial production and generate sufficient revenues to fund its continuing operations. The development of the Group's projects will require the commitment of substantial resources to conduct exploration and development of projects. Given the nature of early exploration cycle, uncertainty surrounds the possibility of identifying economically recoverable volumes of resources.

Directors
The Directors who have held office during the period from 1 January 2010 to the date of this report are as follows:

M J Churchouse — appointed 26 August 2010
M C Jones — appointed 26 August 2010
D D Chikohora — appointed 22 October 2010
S D Oke — appointed 22 October 2010
M S Johnson — appointed 3 August 2010 — resigned 22 October 2010
M N Patel — appointed 7 July 2010 — resigned 22 October 2010
R A Williams — appointed 7 March 2011

The Directors' beneficial interests (including the beneficial interests of their immediate family) in the ordinary shares of the Company are as follows:

	No. of shares held at 31 December 2009	No. of shares held at 31 December 2010
M C Jones	1,850,000	–
M J Churchouse	300,000	–
D D Chikohora	–	–
S D Oke	–	–

The Directors' interests in the share options and warrants of the Company are as follows:

	Options at 1 January 2009	Options granted during the year	Options at 31 December 2010	Exercise Price	Date of the grant	First date of exercise	Final date of exercise
Shares							
M J Churchouse	–	2,000,000	2,000,000	10p	22/10/10	21/10/11	21/10/15
M C Jones	–	3,000,000	3,000,000	10p	22/10/10	21/10/11	21/10/15
D D Chikohora	–	600,000	600,000	10p	22/10/10	21/10/11	21/10/15
S D Oke	–	750,000	750,000	10p	22/10/10	21/10/11	21/10/15
Warrants							
M J Churchouse	–	2,000,000	2,000,000	12.5p	22/10/10	21/10/11	21/10/15
M C Jones	–	3,000,000	3,000,000	12.5p	22/10/10	21/10/11	21/10/15
D D Chikohora	–	600,000	600,000	12.5p	22/10/10	21/10/11	21/10/15
S D Oke	–	750,000	750,000	12.5p	22/10/10	21/10/11	21/10/15

The remuneration of Directors during the year was as follows:

	Directors' Emoluments 2010	Share-based payments 2010	Total
Executive Directors			
M C Jones	37,512	21,420	58,932
M J Churchouse	31,250	14,280	45,530
Non-Executive Directors			
S D Oke	10,000	13,851	23,851
D D Chikohora	6,250	11,080	17,330
M S Johnson	–	–	–
M N Patel	–	–	–
	85,012	60,631	145,643

Group's Policy on Payment of Creditors

The Group's policy on the payment of all trade creditors is to ensure that the terms of payment, as specified and agreed with creditors, are not exceeded. Trade creditors as at 31 December 2010 represents 61 days as a proportion of the total amount invoiced by creditors during the year ended on that date. A better reflection of the Group's payment performance is to take the balance of trade creditors as at 31 December 2010, which represents 16 days of the annualised amount invoiced by trade creditors during November and December. The rationale for this is that the majority of spending during 2010 took place in November and December.

REPORT OF THE DIRECTORS

Political and Charitable Contributions
No charitable or political donations were made by the Company during the period.

Going Concern
After making enquiries, the Directors have reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Statement as to Disclosure of Information to Auditor
So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's Auditor is unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's Auditor is aware of that information.

Auditors
The Auditor, BDO LLP, will be proposed for reappointment at the forthcoming Annual General Meeting.

On Behalf of the Board

Mark C Jones
Chief Executive Officer
19 May 2011

CORPORATE GOVERNANCE STATEMENT

The Company, being listed on AIM, is not required to comply with the Combined Code. However, the Company has given consideration to the code provisions set out in Section 1 of the Combined Code 2008 ("the Code") on Corporate Governance annexed to the Financial Services Authority Listing Rules. The Directors support the objectives of the Code and intend to comply with those aspects that they consider relevant to the Group's size and circumstances. Details of these are set out below.

The Board of Directors

The Board currently comprises two Executive and three Non-Executive Directors. The Board formally meets approximately every two months and is responsible for setting and monitoring Group strategy, reviewing budgets and financial performance, ensuring adequate funding, examining major acquisition opportunities, formulating policy on key issues and reporting to the Shareholders.

Internal Financial Control

The Board is responsible for establishing and maintaining the Group's system of internal financial controls. Internal financial control systems are designed to meet the particular needs of the Group and the risk to which it is exposed, and by its very nature can provide reasonable, but not absolute, assurance against material misstatement or loss. The Directors are conscious of the need to keep effective internal financial control. Due to the relatively small size of the Group's operations, the Directors are very closely involved in the day-to-day running of the business and as such have less need for a detailed formal system of internal financial control. The Directors have reviewed the effectiveness of the procedures presently in place and consider that they are appropriate to the nature and scale of the operations of the Group. The Directors are looking to implement necessary controls and procedures to comply with the forthcoming UK bribery act.

The Audit Committee

An Audit Committee has been established which comprises three Non-Executive Directors — Roger Williams (who chairs the Committee), Stephen Oke and Douglas Chikohora. The Committee is responsible for ensuring that the financial performance of the Group is properly reported on and monitored, and for meeting the Auditor and reviewing the reports from the Auditor relating to accounts and internal controls. The Committee also reviews the Group's annual and interim financial statements before submission to the Board for approval. The role of the Audit Committee is also to consider the appointment of the Auditor, audit fees, scope of audit work and any resultant findings.

The Remuneration Committee

The Remuneration Committee comprises three Non-Executive Directors — Douglas Chikohora (who chairs the Committee), Stephen Oke and Roger Williams. It is responsible for reviewing the performance of the Executive Directors and for setting the scale and structure of their remuneration, paying due regard to the interests of Shareholders as a whole and the performance of the Group. The remuneration of the Chairman and the Non-Executive Directors is determined by the Board as a whole, based on a review of the current practices in other companies.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted for use in the European Union. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs 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 keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website Publication

The Directors are responsible for ensuring the Annual Report and the Financial Statements are made available on a website. 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.

REPORT OF THE INDEPENDENT AUDITOR

to the Members of African Mining & Exploration Plc

We have audited the financial statements of African Mining & Exploration Plc for the year ended 31 December 2010 which comprise the consolidated statement of comprehensive income, the consolidated and Company statement of financial position, the consolidated and Company statement of changes in equity, the consolidated and Company statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

Respective responsibilities of Directors and Auditor
As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2010 and of the Group's loss for the year then ended;

- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
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.

REPORT OF THE INDEPENDENT AUDITOR

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Scott Knight (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
55 Baker Street
London
W1U 7EU
United Kingdom
19 May 2011

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	**2010** £	2009 £
Revenue		**–**	–
Administrative expenses		**(761,865)**	(295,381)
Operating loss		**(761,865)**	(295,381)
Finance income	4	**2,090**	–
Loss before tax	5	**(759,775)**	(295,381)
Taxation	6	**–**	–
Loss for the year attributable to equity owners of the parent		**(759,775)**	(295,381)
Other comprehensive income			
Exchange losses arising on translation of foreign operations		**(10,501)**	(12,733)
Other comprehensive income for the year		**(10,501)**	(12,733)
Total comprehensive income for the year attributable to equity owners of the parent		**(770,276)**	(308,114)
Loss per share attributable to equity owners of the parent expressed in pence per share:			
Basic and diluted	8	**(2.88)**	(2.85)

The notes on pages 21 to 36 form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	2010 £	2009 £
Assets			
Non-current assets			
Intangible assets	10	**281,883**	222,133
Property, plant and equipment	11	**40,885**	3,768
Total non-current assets		**322,768**	225,901
Current assets			
Trade and other receivables	13	**78,849**	29
Cash and cash equivalents	14	**4,004,606**	4,294
Total current assets		**4,083,455**	4,323
Total assets		**4,406,223**	230,224
Equity and liabilities			
Shareholders' equity			
Share capital	15	**708,115**	123,615
Share premium		**3,429,561**	—
Foreign currency reserve		**8,720**	19,221
Warrant reserve		**708,115**	–
Share-based payment reserve		**67,771**	–
Merger reserve		**572,314**	312,116
Retained earnings		**(1,323,171)**	(355,281)
Total equity attributable to equity holders of the parent		**4,171,425**	99,671
Liabilities			
Current liabilities			
Trade and other payables	16	**234,798**	130,553
Total liabilities		**234,798**	130,553
Total equity and liabilities		**4,406,223**	230,224

The financial statements were approved by the Board of Directors on 19 May 2011 and were signed on its behalf by:

Mark C Jones
Chief Executive Officer
Company number: 07307107

The notes on pages 21 to 36 form part of the financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	2010 £
Assets		
Non-current assets		
Intangible assets		**–**
Property, plant and equipment		**–**
Investments	12	**125,927**
Other receivables	13	**201,094**
Total non-current assets		**327,021**
Current assets		
Trade and other receivables	13	**71,765**
Cash and cash equivalents	14	**4,000,994**
Total current assets		**4,072,759**
Total assets		**4,399,780**
Equity and liabilities		
Shareholders' equity		
Called up share capital	15	**708,115**
Share premium		**3,429,561**
Warrant reserve		**708,115**
Share-based payment reserve		**67,771**
Retained earnings		**(660,026)**
Merger reserve		**(82,188)**
Total equity		**4,171,348**
Liabilities		
Current liabilities		
Trade and other payables	16	**228,432**
Total liabilities		**228,432**
Total equity and liabilities		**4,399,780**

The financial statements were approved by the Board of Directors on 19 May 2011 and were signed on its behalf by:

Mark C Jones
Chief Executive Officer
Company number: 07307107

The notes on pages 21 to 36 form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Share capital £	Share premium £	Foreign currency reserve £	Warrant reserve £	Share-based payment reserve £	Retained earnings £	Merger reserve £	Total equity £
At 1 January 2009	73,000	–	31,954	–	700	(59,900)	110,607	156,361
Changes in equity								
Issue of share capital	50,615	–	–	–	–	–	201,509	252,124
Total comprehensive expense for the year	–	–	(12,733)	–	–	(295,381)	–	(308,114)
Share-based payments	–	–	–	–	(700)	–	–	(700)
At 31 December 2009	**123,615**	**–**	**19,221**	**–**	**–**	**(355,281)**	**312,116**	**99,671**
Changes in equity								
Issue of share capital	584,500	4,000,000	–	500,000	–	–	260,198	5,344,698
Fundraising costs	–	(570,439)	–	–	–	–	–	(570,439)
Bonus issue of warrants	–	–	–	(208,115)	–	208,115	–	–
Total comprehensive expense for the year	–	–	(10,501)	–	–	(759,775)	–	(770,276)
Share-based payments	–	–	–	–	67,771	–	–	67,771
At 31 December 2010	**708,115**	**3,429,561**	**8,720**	**708,115**	**67,771**	**(1,323,171)**	**572,314**	**4,171,425**

The following describes the nature and purpose of each reserve within owners' equity:

Reserve	**Description and purpose**
Share premium	Amounts subscribed for share capital in excess of nominal value.
Warrant reserve	Fair value of the warrants issued.
Merger reserve	Amounts resulting from acquisitions under common control.
Foreign currency reserve	Gains/losses arising on retranslating the net assets of Group operations into Pound Sterling.
Share-based payment reserve	Represents the accumulated balance of share-based payment charges recognised in respect of share options granted by African Mining & Exploration Plc, less transfers to retained losses in respect of options exercised.
Retained earnings	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

The notes on pages 21 to 36 form part of the financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Share capital £	Share premium £	Warrant reserve £	Share-based payment reserve £	Retained earnings £	Merger reserve £	Total equity £
At 1 January 2010	–	–	–	–	–	–	–
Issue of share capital	708,115	4,000,000	500,000	–	–	–	5,208,115
Fundraising costs	–	(570,439)	–	–	–	–	(570,439)
Bonus issue of warrants	–	–	208,115	–	(208,115)	–	–
Total comprehensive expense for the year	–	–	–	–	(451,911)	–	(451,911)
Acquisition under common control	–	–	–	–	–	(82,188)	(82,188)
Share-based payments	–	–	–	67,771	–	–	67,771
At 31 December 2010	**708,115**	**3,429,561**	**708,115**	**67,771**	**(660,026)**	**(82,188)**	**4,171,348**

The following describes the nature and purpose of each reserve within owners' equity:

Reserve	**Description and purpose**
Share premium	Amounts subscribed for share capital in excess of nominal value.
Merger Reserve	Amounts resulting from acquisitions under common control.
Warrant reserve	Fair value of the warrants issued.
Share-based payment reserve	Represents the accumulated balance of share-based payment charges recognised in respect of share options granted by African Mining & Exploration Plc, less transfers to retained losses in respect of options exercised.
Retained earnings	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

The notes on pages 21 to 36 form part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	2010	2009
	£	£
Cash flows used in operating activities		
Loss for the year	**(759,775)**	(295,381)
Depreciation charges	**3,363**	980
Share-based payments charge	**237,508**	92,555
Finance income	**(2,090)**	–
Cash flow from operating activities before changes in working capital	**(520,994)**	(201,846)
Increase in trade and other receivables	**(78,820)**	(29)
Increase in trade and other payables	**114,844**	27,734
Net cash used in operating activities	**(484,970)**	(174,141)
Cash flow used in investing activities		
Purchase of intangible fixed assets	**(68,010)**	–
Purchase of tangible fixed assets	**(40,480)**	(4,748)
Interest received	**2,090**	–
Net cash from investing activities	**(106,400)**	(4,748)
Cash flow from financing activities		
Amount advanced by Directors	**–**	10,599
Amount repaid to Directors	**(10,599)**	–
Issue of IPO shares net of costs	**4,429,561**	–
Issue of other shares	**168,053**	148,825
Share option exercised	**–**	784
Net cash from financing activities	**4,587,015**	160,208
Increase in cash and cash equivalents	**3,995,645**	(19,461)
Cash and cash equivalents at beginning of year	**4,294**	23,365
Effect of exchange rate changes on cash and cash equivalents	**4,667**	390
Cash and cash equivalents at end of year	**4,004,606**	4,294

The notes on pages 21 to 36 form part of the financial statements.

COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	2010 £
Cash flows used in operating activities	
Loss for the year	**(451,911)**
Share-based payments charge	**67,711**
Finance income	**(2,090)**
Cash flow from operating activities before changes in working capital	**(386,230)**
Increase in trade and other receivables	**(272,859)**
Increase in trade and other payables	**228,432**
Net cash used in operating activities	**(430,657)**
Cash flow used in investing activities	
Interest received	**2,090**
Net cash from investing activities	**2,090**
Cash flow from financing activities	
Issue of IPO shares net of costs	**4,429,561**
Net cash from financing activities	**4,429,561**
Increase in cash and cash equivalents	**4,000,994**
Cash and cash equivalents at beginning of year	**—**
Cash and cash equivalents at end of year	**4,000,994**

The notes on pages 21 to 36 form part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

1. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The consolidated financial statements have been prepared by the merger method of accounting on the historical cost basis except as explained in the accounting policies below. Historical cost is generally based on the consideration given in exchange for assets. The principal accounting policies are set our below.

Change in presentational currency

The functional currency of the Company is Pound Sterling. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The consolidated financial statements are presented in Pound Sterling, which in the opinion of the management is the most appropriate presentation currency for the Group. In the previous period the presentational currency of the main subsidiary was euro, and the comparatives have this year been restated to the new presentational currency.

Going concern

The financial statements have been prepared on a going concern basis. The Board considers that the Group has sufficient cash resources to enable it to continue with the planned exploration projects.

Basis of consolidation

The Group accounts consolidate the accounts of African Mining & Exploration Plc and its foreign subsidiaries, as set out below. The foreign subsidiaries have been consolidated in accordance with IFRS 3, and IAS 21 "The effects of Foreign Exchange Rates".

Inter-company transactions and balances between Group companies are eliminated in full.

Business combinations

Accounting for the Company's acquisition of the controlling interest in New Mines Holdings Limited

The Company's controlling interest in its directly held, wholly owned subsidiary, New Mines Holdings Limited, was acquired through a transaction under common control, as defined in IFRS 3 *Business Combinations*. The Directors note that transactions under common control are outside the scope of IFRS 3 and that there is no guidance elsewhere in IFRS covering such transactions.

IFRS contain specific guidance to be followed where a transaction falls outside the scope of IFRS. This guidance is included at paragraphs 10 to 12 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. This requires, *inter alia*, that where IFRS does not include guidance for a particular issue, the Directors may also consider the most recent pronouncements of other standard setting bodies that use a similar conceptual framework to develop accounting standards. In this regard, it is noted that United Kingdom Financial Accounting Standards Board (ASB) has issued an accounting standard covering business combinations (FRS 6) that is similar in a number of respects to IFRS 3.

1. ACCOUNTING POLICIES continued

FRS 6 (and US GAAP) does include guidance for accounting for group reconstructions of this nature. Having considered the requirements of IAS 8 and the related UK and US guidance the transaction by which the company acquired its controlling interest in New Mines Holding Ltd. has been accounted for on a merger or pooling of interest basis as if both entities had always been combined. Consequently, the corresponding figures for the prior year reflect the results of the combined entities. The combination has been accounted for using book values, with no fair value adjustments made nor goodwill created.

Foreign currencies

Transactions in foreign currencies are initially recorded in the functional currency by applying spot exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the dates of the initial transactions. Non-monetary items measured at the fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined.

The income statements of individual Group companies with functional currencies other than Pound Sterling are translated into Pound Sterling at the average rate for the period and the balance sheet translated at the rate of exchange ruling on the balance sheet date. Exchange differences which arise from retranslation of the opening net assets and results of such subsidiary undertakings are taken to reserves. On disposal of such entities, the deferred cumulative amount recognised in equity relating to that particular operation is recognised in income statement.

Intangible assets

Deferred development costs

Once a licence has been obtained, all costs associated with mineral property development and investments are capitalised on a project-by-project basis pending determination of the feasibility of the project. Costs incurred include appropriate technical and administrative expenses but not general overheads. If a mining property development project is successful, the related expenditures will be amortised over the estimated life of the commercial ore reserves on a unit of production basis. Where a licence is relinquished, a project is abandoned, or is considered to be of no further commercial value to the African Mining & Exploration Group, the related costs will be written off.

Unevaluated mineral properties are assessed at reporting date for impairment in accordance with the policy set out below.

Intangible assets continued

If commercial reserves are developed, the related deferred development and exploration costs are then reclassified as development and production assets within property, plant and equipment.

Mineral properties

Mineral properties are recorded at cost less amortisation and provision for diminution in value. Amortisation will be over the estimated life of the commercial ore reserves on a unit of production basis.

Property, plant and equipment

Tangible non-current assets used in acquisition, exploration and evaluation are classified with tangible non-current assets as property, plant and equipment. To the extent that such tangible assets are consumed in exploration and evaluation the amount reflecting that consumption is recorded as part of the cost of the intangible asset.

1. **ACCOUNTING POLICIES** continued

Depletion is provided on Gold mining assets in production using the unit of production method; based on proven and probable reserves, applied to the sum of the total capitalised exploration, evaluation and development costs, together with estimated future development costs at current prices.

Depreciation on assets not in production is provided at the following annual rates in order to write off the cost less estimated residual value of each asset over its estimated useful life.

Plant & Equipment	4 years
Motor Vehicles	4 years

Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the African Mining & Exploration Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the differences between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the statement of comprehensive income. On confirmation that the receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The African Mining & Exploration Group's loan and receivables comprise other receivables and cash and cash equivalents in the consolidated statement of financial position. Cash and cash equivalents comprise cash in hand and balances held with banks. Cash equivalents are short term, highly liquid accounts that are readily converted to known amounts of cash.

There is no significant difference between carrying value and fair value of loans and receivables.

1. **ACCOUNTING POLICIES** continued

Financial liabilities

Other liabilities

Other liabilities consist of trade and other payables, which are initially recognised at fair value and subsequently carried at amortised cost, using the effective interest method.

There is no significant difference between the carrying value and fair value of other liabilities.

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or less in the period in which they are incurred.

Operating leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Share-based payments

Where equity settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated income statement over the remaining vesting period.

1. ACCOUNTING POLICIES continued

Where equity instruments are granted to persons other than employees, the consolidated income statement is charged with the fair value of goods and services received.

Key accounting estimates and judgements

The preparation of financial information in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial information and the reported amounts of expenses during the reporting periods. Although these estimates are based on management's best knowledge of the amounts, event or actions, actual results ultimately may differ from those estimates. The key accounting estimates and judgements are set out below:

(a) Carrying value of mineral properties and development costs

The African Mining & Exploration Group assesses at each reporting period whether there is any indication that these assets may be impaired. If such indication exists, the Group estimates the recoverable amount of the asset. In the early stages of exploration an indication of impairment may arise from drilling and assay results or from management's decision to terminate the project. The recoverable amount is assessed by reference to the higher of "value in use", where a project is still expected to be developed into production (being the new present value of expected future cash flows of the relevant cash generating unit) and "fair value less cost to sell". As at 31 December 2010 there is no indication of impairment in respect of the mineral properties and development costs set out in Note 10.

(b) Deferred development costs

The African Mining & Exploration Group has to apply judgement in determining whether exploration and evaluation expenditure should be capitalised within intangible assets as deferred development costs or expensed. The African Mining & Exploration Group has a policy of capitalising all deferred development costs (as set out above). Management therefore exercises judgement based on the results of economic evaluations, prefeasibility or feasibility studies in determining whether it is appropriate to continue to carry these costs as an intangible asset or whether they should be impaired. The total value of deferred development costs capitalised as at each of the reporting dates is set out in Note 10.

(c) Share-based payments

In determining the fair value of share-based payments made during the period, a number of assumptions have been made by management. The details of these assumptions are set out in Note 21.

2. SEGMENTAL REPORTING

The Group has two reportable segments:

Corporate The head office activities of the Group and all non-current assets allocated to corporate activities in the United Kingdom.

Mining The exploration and development of gold and all non-current assets allocated to exploration activities in the Republic of Mali.

The operating results 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 assess their performance.

2. SEGMENTAL REPORTING continued

The accounting policies of these segments are in line with those described in Note 1.

The segment results are as follows:

	Exploration and development £	Administration and corporate £	Total £
2010			
Depreciation	3,363	–	3,363
Loss for the period	(12,562)	(747,213)	(759,775)
Total assets	326,380	4,079,843	4,406,223
Total non-current assets	281,883	–	281,883
Additions to non-current assets	68,010	–	68,010
Total current assets	3,612	4,079,843	4,083,455
Total liabilities	–	234,798	234,798
2009			
Depreciation	980	–	980
Loss for the period	(19,445)	(275,936)	(295,381)
Total assets	228,118	2,106	230,224
Total current assets	2,253	2,070	4,323
Total liabilities	–	130,553	130,553

3. EMPLOYEES AND DIRECTORS

The average monthly number of employees during the year was as follows:

	2010	2009
Operational	**11**	6
Non-operational	**8**	2
	19	8

Staff costs (excluding Directors)

	2010 £	2009 £
Salaries	**107,094**	43,781
Social security	**1,175**	–
Share-based payment expense (see Note 21)	**7,140**	–
	115,409	43,781

3. EMPLOYEES AND DIRECTORS continued

Directors' remuneration

	2010	2009
	£	£
Salaries	**85,012**	19,088
Social security	**5,194**	–
Share-based payment expense (see Note 21)	**60,631**	26,736
	150,837	45,824

The Directors are considered to be the key management of the Group.

No Directors accrued pension benefits during any of the periods presented.

4. FINANCE INCOME

	2010	2009
	£	£
Deposit account interest	**2,090**	–

5. LOSS BEFORE INCOME TAX

The loss before income tax is stated after charging/(crediting):

	2010	2009
	£	£
Depreciation — owned assets	**3,363**	980
Auditors' remuneration:		
— Statutory audit of the Group financial statements	**26,243**	13,368
— Other services	**69,000**	–
Foreign exchange differences	**27,726**	(931)
Fundraising costs	**116,977**	–
Share-based payments charge	**237,508**	–

6. INCOME TAX

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2010 nor for the year ended 31 December 2009.

Factors affecting the tax charge

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to the result for the year are as follows:

6. INCOME TAX continued

	2010	2009
	£	£
Loss on ordinary activities before tax	**(759,775)**	(295,381)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009: 28%)	**(212,737)**	(82,707)
Effects of:		
Expenses not deductible for tax purposes	**40,082**	10,352
Tax losses carried forward	**172,655**	72,355
Total income tax	**–**	–

Deferred tax

The Group has carried forward losses amounting to £1,167,018 as at 31 December 2010. As the timing and extent of taxable profits are uncertain, the deferred tax asset arising on these losses has not been recognised in the financial statements.

7. LOSS OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the Parent Company is not presented as part of these financial statements. The Parent Company's loss for the financial year was £525,386. The Company was incorporated during the year and therefore does not have a result for 2009.

8. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary Shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares.

In accordance with IAS 33 as the Group is reporting a loss for both this and the preceding year the share options are not considered dilutive because the exercise of share options would have the effect of reducing the loss per share.

Reconciliations are set out below.

	2010	2009
	£	£
Basic Loss per share		
Losses attributable to ordinary Shareholders	**(759,775)**	(295,381)
Weighted average number of shares	**26,390,952**	10,365,875
Loss per share	**0.0288**	0.0285

9. ACQUISITION AND DISPOSALS

On 26 August 2010 African Mining & Exploration Plc acquired the entire share capital of New Mines Holdings Limited, a company incorporated in Nevis, the West Indies in a share-for-share exchange. The beneficial owners of each of the 20,811,500 shares in New Mines Holdings Limited received one £0.01 share in African Mining & Exploration Plc. As summarised in Note 1, the acquisition has been accounted for under the provisions of s612 of the Companies Act 2006, and merger accounting has been adopted to bring the identifiable assets and liabilities of the Company into the Group at their book values on the date of the acquisition. The consolidated financial statements for African Mining & Exploration Plc reports the results of operations, the consolidated balance sheets and other financial information as though the assets and liabilities of the combining entities had occurred at 1 January 2009.

This effectively treats African Mining & Exploration Plc as the successor entity to New Mines Holdings Ltd.

10. INTANGIBLE ASSETS (Group)

	Patents and licences £	Exploration and evaluation assets costs	Totals £
Cost			
At 1 January 2010	–	222,133	222,133
Additions	979	67,031	68,010
Exchange differences	–	(8,260)	(8,260)
At 31 December 2010	979	280,904	281,883
Net book value			
At 31 December 2010	979	280,984	281,883
At 31 December 2009	–	222,133	222,133

11. PROPERTY, PLANT AND EQUIPMENT (Group)

	Plant and machinery £	Motor vehicles £	Totals £
Cost			
At 1 January 2010	4,748	–	4,748
Additions	–	40,480	40,480
At 31 December 2010	**4,748**	**40,480**	**45,228**
Depreciation			
At 1 January 2010	980	–	980
Charge for year	1,132	2,231	3,363
At 31 December 2010	**2,112**	**2,231**	**4,343**
Net book value			
At 31 December 2010	2,636	38,249	40,885
At 31 December 2009	3,768	–	3,768

12. INVESTMENTS (Company)

	Shares in Group undertakings £
Additions	125,927
At 31 December 2010	125,927

The value of additions represents the book value of the assets and liabilities of the New Mines Group, which was acquired on 26 August 2010.

The Company had the following subsidiary undertakings, either directly or indirectly, at 31 December 2010, which have been included in the consolidated financial statements.

New Mines Holdings Limited

Country of incorporation:	St. Kitts & Nevis	
Nature of business:	Holding Company	
Class of shares:	Ordinary Shares	holding 100%

Tobon Tondo S.U.A.R.L.

Country of incorporation:	Republic of Mali	
Nature of business:	Mining and exploration	
Class of shares:	Ordinary shares	holding 100%

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
	£	£	**£**	£
Non-current:				
Other receivables	**–**	–	**201,094**	–
	–	–	**201,094**	–
Current:				
VAT recoverable	**61,773**	–	**61,773**	–
Other receivables	**17,076**	29	**9,992**	–
	78,849	29	**71,765**	–

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010	2009	**2010**	2009
	£	£	**£**	£
Cash at bank and in hand	**4,004,606**	4,294	**4,000,994**	–

15. SHARE CAPITAL

Allotted, issued and fully paid

	2010		2009	
	£0.01 Ordinary shares number	**£**	£0.01 Ordinary shares number	£
At beginning of year	**12,361,500**	**123,615**	7,300,000	73,000
Issued during year				
Other issue	**8,450,000**	**84,500**	5,061,500	–
IPO issue	**50,000,000**	**500,000**	–	50,615
At end of year	**70,811,500**	**708,115**	12,361,500	123,615

During the year 8,450,000 shares at par value were issued for a total cash consideration of £168,053 in New Mines Holdings Ltd to bring the total issued number of shares in New Mines Holdings Ltd to 20,811,500.

At the time of merger African Mining & Exploration Plc issued 20,811,500 shares to existing Shareholders of New Mines Holdings Ltd, for a share for share exchange.

Further 50,000,000 ordinary shares of £0.01 per share were issued by African Mining & Exploration Plc for total cash consideration of £5,000,000. The total fundraising costs in respect of this issue were £700,291; of this £203,327, which related to the proportion of the 20,811,500 shares issued to existing Shareholders, was charged to the Statement of Comprehensive Income.

16. TRADE AND OTHER PAYABLES

	Group		**Company**	
	2010	2009	**2010**	2009
	£	£	**£**	£
Current:				
Trade creditors	**164,978**	65,212	**164,229**	–
Other creditors	**11,260**	19,002	**11,260**	–
Accruals and deferred income	**58,560**	35,740	**52,943**	–
Directors' current accounts	**–**	10,599	**–**	–
	234,798	130,553	**228,432**	–

17. FINANCIAL INSTRUMENTS

Financial instruments — Risk Management

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

— trade receivables
— cash at bank
— trade and other payables
— loans from related parties

Trade and other payables fall due for payment within three months from the balance sheet date.

The Group has sufficient funding in place to meet its operational commitments and is not exposed to any liquidity risk.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days.

The Board receives rolling 12-month cash flow projections on a monthly basis as well as information regarding cash balances. At the balance sheet date, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

Foreign exchange risk

The Group is exposed through its operations to foreign exchange risk which arises because the Group has operations located in West Africa whose functional currency is CFA. The Group's net assets arising from overseas operations are exposed to currency risk resulting in gains or losses on retranslation into Pound Sterling.

Foreign exchange risk also arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. The Group's policy is, where possible, to allow Group entities to settle liabilities denominated in their functional currency (primarily euro, CFA or Pound Sterling) with the cash generated from their own operations in that currency. Where Group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them) cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group. To mitigate the risk of the CFA/euro expenditure in Mali, the Group holds cash in a euro denominated bank account, sufficient to meet committed expenditure and other liabilities. The CFA has a permanent fixed exchange rate with euro.

17. FINANCIAL INSTRUMENTS continued

As at 31 December 2010 and 31 December 2009, the currency exposure of the Group was as follows:

	GBP	Euro	CFA	Total
	£	£	£	£
At 31 December 2010				
Cash and cash equivalents	**2,659,163**	**1,341,830**	**3,612**	**4,004,606**
Other receivables	**71,765**	**7,084**		**78,849**
Trade and other payables	**176,238**	**–**	**–**	**176,238**
At 31 December 2009				
Cash and cash equivalents	1,981	40	2,273	4,294
Other receivables	–	29	–	29
Trade and other payables	23,125	71,688	–	94,813

The effect of a 10% strengthening of sterling against the euro at the reporting dates presented, all other variables held constant, would have resulted in increasing the loss for the year and reducing net assets by £276,289 (2009: £ 2,511). Conversely the effect of a 10% weakening of Pound Sterling against the euro at the reporting dates presented, all other variables held constant, would have resulted in decreasing the loss for the year and increasing the assets by £276,289 (2009: £2,511). This is in respect of the foreign exchange gains and losses recorded on the retranslation of the Pound Sterling bank balances and Pound Sterling trade payables.

Capital disclosures

The Group's objectives when maintaining capital are:

— to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for Shareholders and benefits for other stakeholders; and

— to provide an adequate return to Shareholders by pricing products and services commensurately with the level of risk.

The Company currently does not have any debt.

18. CONTINGENT LIABILITIES

Details of contingent liabilities where the probability of future payments/receipts is not considered remote are set out below, as well as details of contingent liabilities, which although considered remote, the Directors consider should be disclosed.

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

	2010	2009
	£	£
Deferred consideration payable for strategic investment in future mining and exploration projects	**3,688,091**	3,579,158

The above amounts relate to the following contingent liabilities:

On commercial discovery or commencement of mining operations, a fee of \$1,000,000 and \$1,312,000 will be payable to the Mali Government, for the Diatissan and Karan permit areas respectively. In addition, minimum expenditure on research over the three years following the discovery of 1,065,000,000 CFA and 516,000,000 CFA will be payable for Diatissan and Karan respectively.

19. RELATED PARTY DISCLOSURES

Details of Director's remuneration are given in note 3. During the year £ 350 (2009: Nil) was payable and remained unpaid to Mr Scott Jones (son of Mark Jones) for website development and maintenance and £37,512 (2009: Nil) was payable to J Cubed Ventures Ltd (Company controlled by Mark Jones) for consultancy fees of which £29,384 remained unpaid.

20. EVENTS AFTER THE REPORTING DATE

After the balance sheet date, the Company issued additional shares as detailed below.

- 502,726 ordinary shares of £0.01 per share, for a consideration of £0.159132 per share, were issued to North Atlantic Mining Associates Ltd in respect of termination of agreement relating to Karan Alluvial Mining.
- 37,573 ordinary shares of £0.01 per share, for a consideration of £0.159689 per share, were issued to the sole owner of "Peregrine" in consideration for strategic and communications services.

Since the balance sheet date a total of 12,861,507 warrants were exercised at £0.125 per share for a total cash consideration of £1,607,688.

21. SHARE OPTIONS AND WARRANTS

Upon admission to AIM, the Company issued 70,811,500 warrants, the "2010 Warrants". Each warrant was issued as part of a share and warrant "unit". Each 2010 Warrant entitles the 2010 Warrant holder to subscribe for one Ordinary Share at 12.5 pence at any time from the date of Admission until the second anniversary of Admission. Full terms can be found on the admission document, page 105.

In addition to the share and warrant units issued as part of the admission to AIM, African Mining & Exploration Plc also operates an approved share option plan for Directors and employees. On 22 October 2010 the Company issued share options and warrants to Directors, Non-Executive Directors and employees of the Company as follows:

Part A Share and Warrant Options

	Options at 1 January 2009	Options granted during the year	Options at 31 December 2010	Exercise price	Date of the grant	First date of exercise	Final date of exercise
Shares — Directors							
M J Churchouse	–	2,000,000	2,000,000	10p	22/10/10	21/10/11	21/10/15
M C Jones	–	3,000,000	3,000,000	10p	22/10/10	21/10/11	21/10/15
Shares — Others	–	1,000,000	1,000,000	10p	22/10/10	21/10/11	21/10/15
Total	–	6,000,000	6,000,000				
Warrants — Directors							
M J Churchouse	–	2,000,000	2,000,000	12.5p	22/10/10	21/10/11	21/10/15
M C Jones	–	3,000,000	3,000,000	12.5p	22/10/10	21/10/11	21/10/15
Warrants — Others	–	1,000,000	1,000,000	12.5p	22/10/10	21/10/11	21/10/15
Total	–	6,000,000	6,000,000				

21. SHARE OPTIONS AND WARRANTS continued

Part B Share and Warrant Options

	Options at 1 January 2009	Options granted during the year	Options at 31 December 2010	Exercise price	Date of the grant	First date of exercise	Final date of exercise
Shares — Non-Executive Directors							
D D Chikohora	–	600,000	600,000	10p	22/10/10	21/10/11	21/10/15
S D Oke	–	750,000	750,000	10p	22/10/10	21/10/11	21/10/15
Total	–	1,350,000	1,350,000				
Warrants — Non-Executive Directors							
D D Chikohora	–	600,000	600,000	12.5p	22/10/10	21/10/11	21/10/15
S D Oke	–	750,000	750,000	12.5p	22/10/10	21/10/11	21/10/15
Total	–	1,350,000	1,350,000				

The terms of the two option plans are as follows:

Plan A — Options

Each of the Directors and employees is granted 1 option and 1 warrant to purchase the above number of shares.

The options may not be exercised before the satisfaction of the non-market performance conditions listed below.

Performance conditions:

As to 20% of the shares under this option — the completion of the Karan Scoping Study.
As to 30% of the shares under this option — the confirmation of a JORC Inferred Resource.
As to 50% of the shares under this option — the confirmation of a JORC MC-1 Inferred Resource of at least 500,000 troy ounces of gold.

Plan B — Options

Each of the Non-Executive Directors is granted 1 options and 1 warrant to purchase the above number of shares.

There are no performance conditions attached to option under this plan; instead the following conditions apply to options under this plan:

Share Options

a) Not more than one-third of the number of shares under this option may be acquired prior to the first anniversary of Admission.
b) Not more than two-thirds of the number of shares under this option may be acquired before the second anniversary of Admission.

21. SHARE OPTIONS AND WARRANTS continued

Warrant Options

The warrants under this option plan may not be exercised before either the 2010 Warrants have all been exercised or may no longer be exercised.

All of the options and warrants attract a share-based payment charge under IFRS 2.

The share-based payment charge for options and warrants related to Directors, Non-Executive Directors and employees have been calculated using a Black–Scholes Model and using the following parameters:

	Shares options	Warrant options
Stock asset price	£0.10	£0.10
Option strike price	£0.10	£0.125
Maturity (years until expiration)	5	5
Risk-free interest rate	2.5%	2.5%
Volatility	95%	95%
Option (fair value)	£0.0730	£0.0698

This results in a value of £0.0730 per share for share options and £0.0698 per share for warrant options. The charge has been spread over two years.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of African Mining & Exploration Plc ('the Company') will be held at the offices of the Company's Solicitors, Memery Crystal LLP, 44 Southampton Buildings, London, WC2A 1AP on 17 June 2011 at 11.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as ordinary resolutions in the cases of resolutions 1-8 and as a special resolution in the case of resolution 9.

ORDINARY BUSINESS

1 To receive the report of the Directors and the audited financial statements of the Company for the year ended 31 December 2010.

2 To reappoint Mark Christopher Jones who retires as a Director in accordance with article 23.1 of the Articles of Association at the conclusion of the meeting and, being eligible, offering himself for re-election as a Director of the Company.

3 To reappoint Stephen Douglas Oke who retires as a Director in accordance with article 23.1 of the Articles of Association at the conclusion of the meeting and, being eligible, offering himself for re-election as a Director of the Company.

4 To reappoint Martyn John Churchouse who retires as a Director in accordance with article 23.1 of the Articles of Association at the conclusion of the meeting and, being eligible, offering himself for re-election as a Director of the Company.

5 To reappoint Douglas Dakarai Chikohora who retires as a Director in accordance with article 23.1 of the Articles of Association at the conclusion of the meeting and, being eligible, offering himself for re-election as a Director of the Company.

6 To reappoint Roger Alyn Williams who retires as a Director in accordance with article 23.1 of the Articles of Association at the conclusion of the meeting and, being eligible, offering himself for re-election as a Director of the Company.

7 To reappoint BDO LLP as Auditors of the Company to act until the conclusion of the next Annual General Meeting and to authorise the Directors to determine the remuneration of the auditors.

ORDINARY RESOLUTION

8 That in substitution for all existing and unexercised authorities, the Directors of the company be and they are hereby generally and unconditionally authorised for the purpose of section 551 of the Companies Act 2006 ('the Act') to exercise all or any of the powers of the company to allot equity securities (within the meaning of Section 560 of the Act) up to a maximum nominal amount of £500,000 provided that this authority shall, unless previously revoked or varied by the company in general meeting, expire on the earlier of the conclusion of the next Annual General Meeting of the company or 15 months after the passing of this Resolution, unless renewed or extended prior to such time except that the directors of the company may before the expiry of such period make an offer or agreement which would or might require equity securities to be allotted after the expiry of such period and the Directors of the company may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

SPECIAL RESOLUTION

9 That in substitution for all existing and unexercised authorities and subject to the passing of the immediately preceding Resolution, the Directors of the company be and they are hereby empowered pursuant to section 570 of the Act to allot equity securities (as defined in section 560 of the Act) pursuant to the authority conferred upon them by the preceding Resolution as if section 561(1) of the Act did not apply to any such allotment provided that the power conferred by the Resolution, unless previously revoked or varied by special resolution of the company in general meeting, shall be limited:

(a) arising from the exercise of options and warrants outstanding at the date of this resolution;

(b) to the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interest of all such shareholders are proportionate (as nearly as may be) to the respective numbers of the ordinary shares held by them subject only to such exclusions or other arrangements as the directors of the company may consider appropriate to deal with fractional entitlements or legal and practical difficulties under the laws of, or the requirements of any recognised regulatory body in, any territory;

(c) the grant of a right to subscribe for, or to convert any equity securities into Ordinary Shares otherwise than under sub-paragraph (a) above, up to a maximum aggregate nominal amount of £100,000; and

(d) to the allotment (otherwise than pursuant to sub-paragraphs (a), (b) and (c) above) of equity securities up to an aggregate nominal amount of £168,427 (approximately 20% of the Company's issued share capital) in respect of any other issues for cash consideration;

and shall expire on the earlier of the date of the next Annual General Meeting of the company or 15 months from the date of the passing of this Resolution save that the company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

If you are a registered holder of Ordinary Shares in the Company, whether or not you are able to attend the meeting, you may use the enclosed form of proxy to appoint one or more persons to attend and vote on a poll on your behalf. A proxy need not be a member of the Company.

A form of proxy is provided.

This may be sent by facsimile transfer to 01252 719 232 or by mail using the reply paid card to:

The Company Secretary
African Mining & Exploration Plc
c/o Share Registrars Limited
Suite E
First Floor
9 Lion and Lamb Yard
Farnham
Surrey GU9 7LL

In either case, the signed proxy must be received no later than 48 hours (excluding non-business days) before the time of the meeting, or any adjournment thereof.

Registered Office:	By order of the Board
Third Floor 55 Gower Street London WC1E 6HQ	**Stephen Ronaldson** Company Secretary 19 May 2011

Registered in England and Wales Number: 07307107

NOTICE OF ANNUAL GENERAL MEETING

NOTES TO THE NOTICE OF GENERAL MEETING

Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members 48 hours before the time of the Meeting shall be entitled to attend and vote at the Meeting.

Appointment of proxies

2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the registrars of the Company, Share Registrars Limited on 01252 821 390.

5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of proxy using hard copy proxy form

6. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

   To appoint a proxy using the proxy form, the form must be:

   completed and signed;

   sent or delivered to Share Registrars Limited at Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL or by facsimile transmission to 01252 719 232; and

   received by Share Registrars Limited no later than 48 hours (excluding non-business days) prior to the Meeting.

   In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company.

   Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Appointment of proxy by joint members

7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

NOTICE OF ANNUAL GENERAL MEETING

continued

Changing proxy instructions

8. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

   Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Share Registrars Limited on 01252 821 390.

   If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

9. In order to revoke a proxy instruction you will need to inform the Company using one of the following methods:

   By sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Share Registrars Limited at Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL or by facsimile transmission to 01252 719 232. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

   In either case, the revocation notice must be received by Share Registrars Limited no later than 48 hours (excluding non-business days) prior to the Meeting.

   If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

   Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Issued shares and total voting rights

10. As at 19 May 2011, the Company's issued share capital comprised 84,213,306 ordinary shares of £0.01 each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 19 May 2011 is 84,213,306.

Communications with the Company

11. Except as provided above, members who have general queries about the Meeting should telephone the Company Secretary, Dominic Traynor, on (020) 7580 6075 (no other methods of communication will be accepted). You may not use any electronic address provided either in this notice of general meeting; or any related documents (including the chairman's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.

CREST

12. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual.

    CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

NOTICE OF ANNUAL GENERAL MEETING

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual (available via euroclear.com/CREST).

The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID: 7RA36) by the latest time(s) for receipt of proxy appointments specified above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of CREST by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

SHAREHOLDERS NOTES

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