Registered number: 05315922

# ALECTO ENERGY PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS

## FOR THE YEAR ENDED

## 31 DECEMBER 2010

## ALECTO ENERGY PLC

## CONTENTS

## COMPANY INFORMATION

| | |
|---|---|
| **Directors** | Malcolm James (Non-Executive Chairman)<br>Damian Conboy (Executive Director)<br>Toby Howell (Non-Executive Director) |
| **Company Secretary** | Gregory Kuenzel |
| **Registered Office** | 200 Strand<br>London WC2R 1DJ |
| **Company Number** | 05315922 |
| **Bankers** | HSBC Bank plc<br>129 New Bond Street<br>London W1J 2JA |
| **Nominated Adviser & Broker** | Allenby Capital Limited<br>32 Davies Street<br>London W1K 4ND |
| **Auditors** | Littlejohn LLP<br>1 Westferry Circus<br>Canary Wharf<br>London<br>E14 4HD |
| **Solicitors** | Kerman & Co LLP<br>200 Strand<br>London WC2R 1DJ |

## ALECTO ENERGY PLC

## CHAIRMAN'S REPORT

### Operational Review

This has been an important year for Alecto, during which we have successfully been granted three gold and base metal and two uranium development licences covering circa 3,500 sq km in the highly prospective Mauritanide mobile belt in Mauritania. With a defined work programme currently underway at a number of these licences, a strong cash position to fund our forthcoming activities and an experienced management team in place, we are now centred on building value both on the ground and through the acquisition of complementary resource projects, primarily in Africa.

Mauritania provides the Company with an opportunity for discovery, having already yielded some significant mining projects including Red Back Mining Inc's Tasiast Gold Mine with a resource of 6.5 Moz (but remains open along strike). Production at the Guelb Moghrein deposit, owned by First Quantum Minerals, has also resumed with both copper and gold being targeted.

Our licences were granted by the Mauritanian Ministry of Industry and Mines in October 2010, following extensive fieldwork and analysis of historic data conducted by our consulting partner, O'Connor International Ltd ('O'Connor'), together with leading consultants SRK Exploration Services ('SRK ES').

The three gold and base metal licences are located at Chegar (756 sq km), Wad Armour (613 sq km) and Zreibya (459 sq km) and SRK ES has commenced work on our defined exploration programme to identify key areas of interest for further development and drilling. This is primarily taking place at Wad Amour and Zreibya which are both considered highly prospective and have good accessibility. The first phase of the work programme includes detailed soil sampling and regional reconnaissance work, which commenced in February 2011, and reinterpretation and analysis of historic data is being carried out in tandem with this. Once the results from these studies are received, additional soil sampling and geophysical surveys will be undertaken and this is expected to commence by the end of April 2011. Exploration at these licences is still at an early stage but to date, progress has been encouraging and we are optimistic about the Company's ability to advance these projects to the next stages of development.

Having previously seen geochemical sampling results in May 2010 which demonstrated the existence of uranium values at the sites, SRK ES is also carrying out initial exploratory and data analysis at our Mreiti (888 sq km) and Wad Mourkba (704 sq km) uranium licences to support our existing knowledge of the licences. The licences span an internal WSW-ESE contact within the Achaean shield and close to its edge with the younger rocks of the Taoudenu Sedimentary Basin. We look forward to results from these studies and will update shareholders accordingly.

We also have exposure to additional resource projects through investments in a number of entities. In July 2010, the Board converted the £45,000 working capital facility provided to Bulgarian Mining Corporation Ltd ('BMC') into a 20% shareholding in BMC further to evaluating its uranium assets. Additionally, in June 2010, the Company also took a 9.73% shareholding in AIM listed Charles Street Capital plc ('CSC'), which is currently looking to invest in opportunities across the resource sector.

### Financial Review

The loss before taxation of the Group for the year ended 31 December 2010 amounted to £655,806 (31 December 2009: £213,750). During the year the Company raised £2,370,000 before expenses through two placings of new shares.

### Outlook

We have made progress over the past year which we believe has created a platform for future growth. Our licences are situated in a highly prospective region of Mauritania which is already home to a number of significant mining projects.

## CHAIRMAN'S REPORT (continued)

We are also evaluating additional resource opportunities in Africa and particularly in Ghana.

Finally, I would like to thank our shareholders for the support we have received during the past year, and look forward to updating them on these developments over the coming months. I would also like to thank our excellent management team for its continued dedication.

Malcolm James
Chairman
19 April 2011

## ALECTO ENERGY PLC

## DIRECTORS' REPORT

The Directors present their annual report on the affairs of Alecto Energy plc, together with the Group Financial Statements and Auditors' Report, for the year ended 31 December 2010.

### Principal Activities and Business Review

The principal activity of Alecto Energy plc ('the Company') is to make investments and/or acquire projects in the natural resources and mineral sectors as a whole, including the energy sector.

The Group is focussed on the generation of new mineral opportunities in North Africa. A detailed review of the business of the Group during the year and an indication of likely future developments may be found in the Chairman's Report on page 3.

Risks and uncertainties are discussed on page 6.

### Results and Dividends

The loss of the Group for the year ended 31 December 2010 before taxation amounts to £655,806 (31 December 2009: £213,750).

The Directors do not recommend the payment of a dividend for the year (31 December 2009: £nil).

### Directors & Directors' Interests

The Directors who served during the year ended 31 December 2010 are shown in the Company Information on page 2 and had, at that time the following beneficial interests in the shares of the Company:

| | As at the date of appointment | | 31 December 2010 | | 01 January 2010 | |
|---|---|---|---|---|---|---|
| | Ordinary Shares | Options | Ordinary Shares | Options | Ordinary Shares | Options |
| Malcolm James (1) | 1,063,099 | 115,104 | 1,063,099 | 115,104 | 10,630,989 | 1,151,040 |
| Toby Howell | 427,500 | 230,208 | 427,500 | 230,208 | 4,275,000 | 2,302,079 |
| Damian Conboy | - | - | 4,000,000 | 7,971,429 | 40,000,000 | 19,714,285 |

(1) 400,100 shares are held by the James Family Superfund, the beneficiaries of which include Malcolm James

Further details on options can be found in Note 17 to the Financial Statements.

### Key Performance Indicators ("KPI's")

The three main KPI's for the Group are as follows. These allow the Company to monitor costs and plan future exploration and development activities:

| | 2010 | 2009 |
|---|---|---|
| Cash and cash equivalents | £2,015,012 | £741,964 |
| Administrative expenses as a percentage of total assets | 18.3% | 27.1% |
| Exploration costs capitalised | £768,489 | - |
| | | |

No exploration activities were undertaken in 2009 and therefore no exploration costs have been capitalised for that period. This KPI will be used to monitor the Group's activities and performance in subsequent periods.

### Corporate responsibility

#### Environmental

Alecto undertakes its exploration activities in a manner that minimises or eliminates negative environmental impacts and maximises positive impacts of an environmental nature. Alecto is a mineral explorer, not a mining company. Hence, the environmental impact associated with its activities are minimal. To ensure proper environmental stewardship on its projects, Alecto conducts certified baseline studies prior to all drill programmes and ensures that areas explored are properly maintained and conserved.

#### Health and safety

Alecto operates a comprehensive health and safety programme to ensure the wellness and security of its employees. The control and eventual elimination of all work related hazards requires a dedicated team effort involving the active participation of all employees. A comprehensive health and safety programme is the primary means for delivering best practices in health and safety management. This programme is regularly updated to incorporate employee suggestions, lessons learned from past incidents and new guidelines related to new projects with the aim of identifying areas for further improvement of health and safety management. This results in continuous improvement of the health and safety programme. Employee involvement is recognised as fundamental in recognising and reporting unsafe conditions and avoiding events that may result in injuries and accidents.

### Risk factors

***Exploration risks***

The exploration and mining business is controlled by a number of global factors, principally supply and demand which in turn is a key driver in global mineral prices; these factors are beyond the control of the Group. Exploration is a high-risk business and there can be no guarantee that any mineralisation discovered will result in proven and probable reserves or go on to be an operating mine. At every stage of the exploration process the projects are rigorously reviewed to determine if the results justify the next stage of exploration expenditure ensuring that funds are only applied to high priority targets.

The principal assets of the Group comprising the mineral exploration licences are subject to certain financial and legal commitments. If these commitments are not fulfilled the licences could be revoked. They are also subject to legislation defined by the Government; if this legislation is changed it could adversely affect the value of the Group's assets.

***Country risk***

The Group's licences and operations are located in a foreign jurisdiction. As a result, the Group is subject to political, economic and other uncertainties, including but not limited to, changes in policies or the personnel administering them, terrorism, nationalism, appropriation of property without fair compensation, cancellation or modification of contract rights, foreign exchange restrictions, currency fluctuations, export quotas, royalty and tax increases and other risks arising out of foreign governmental sovereignty over the area in which these operations are conducted, as well as risks of loss due to civil strife, acts of war, guerrilla activities and insurrection.

Mauritania, the current focus of the Group's activities, has suffered recent political unrest. Although the current regime is stable and proactively supports foreign investment, there is no guarantee that this situation will continue. The Group maintains an active dialogue with the Government in Mauritania and believes the level of risk in relation to this area to be acceptable. The Group also minimises inflation and exchange rate risks in relation to Mauritania by negotiating all material contracts in Euros and ensuring minimal financial assets are kept in the Mauritanian currency.

***Dependence on key personnel***

The Group and Company is dependent upon its executive management team and various technical consultants. Whilst it has entered into contractual agreements with the aim of securing the services of these personnel, the retention of their services cannot be guaranteed. The development and success of the Group depends on the Company's ability to recruit and retain high quality and experienced staff. The loss of the service of key personnel or the inability to attract additional qualified personnel as the Group grows could have an adverse effect on future business and financial conditions.

***Uninsured risk***

The Group, as a participant in exploration and development programmes, may become subject to liability for hazards that cannot be insured against or third party claims that exceed the insurance cover. The Group may also be disrupted by a variety of risks and hazards that are beyond control, including, geological, geotechnical and seismic factors, environmental hazards, industrial accidents, occupation and health hazards and weather conditions or other acts of God.

## DIRECTORS' REPORT

***Funding risk***

The Company has raised sufficient funds to enable it to undertake initial exploration activities on the Mauritanian licence areas. However, the licences incorporate a minimum spend requirement over the three year licence period that the Group does not currently have the financial resources to meet. Should the Group not be successful in establishing a resource to allow further funds to be raised there may be insufficient funds to complete exploration work on the licence areas.

The only sources of funding currently available to the Group are through the issue of additional equity capital in the Parent Company or through bringing in partners to fund exploration and development costs. The Company's ability to raise further funds will depend on the success of the Group's exploration activities and its investment strategy. The Company may not be successful in procuring funds on terms which are successful and, if such funding is unavailable, the Group may be required to reduce the scope of its exploration activities or relinquish some of the exploration licences held for which it may incur fines or penalties.

**Financial Risk Management**

The Group's operations expose it to a variety of financial risks that include the effect of changes in debt market prices and foreign currency exchange rates, credit risk, liquidity risk and interest rate risk. The Group has a risk management programme in place that seeks to limit the adverse effects on the financial performance of the Group by monitoring levels of debt finance and the related finance costs. The Group does not use derivative financial instruments to manage interest rate costs and, as such, no hedge accounting is applied.

Details of the Group's financial risk management policies are set out in Note 3 to the Financial Statements.

**Internal Controls**

The Board recognises the importance of both financial and non-financial controls and has reviewed the Group's control environment and any related shortfalls during the year. Since the Group was established, the Directors are satisfied that, given the current size and activities of the Group, adequate internal controls have been implemented. Whilst they are aware that no system can provide absolute assurance against material misstatement or loss, in light of the current activity and proposed future development of the Group, continuing reviews of internal controls will be undertaken to ensure that they are adequate and effective.

**Going Concern**

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and, therefore, continue to adopt the going concern basis in preparing the Annual Report and Financial Statements. Further details on their assumptions and their conclusion thereon are included in the statement on going concern included in Note 2 to the Financial Statements.

**Directors' and Officers' Indemnity Insurance**

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors and Officers. These were made during the previous period and remain in force at the date of this report.

**Post Balance Sheet Events**

The post balance sheet events are set out in Note 28 to the Financial Statements.

**Policy and Practice on Payment of Creditors**

The Company and its subsidiary undertakings agree terms and conditions for their business transactions with suppliers. Payment is then made in accordance with these terms, subject to the terms and conditions being met by the supplier. As at 31 December 2010, the Company had an average of 2 days' (2009: 117 days') purchases outstanding in trade payables. The Group average was 3 days (2009: 115 days).

# DIRECTORS' REPORT

### Provision of Information to Auditors

So far as each of the Directors is aware at the time this report is approved:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

### Auditors

Littlejohn LLP has signified its willingness to continue in office as auditor.

This report was approved by the Board on 19 April 2011 and signed on its behalf.

Damian Conboy
Executive Director

## ALECTO ENERGY PLC

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report 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 Group and Parent Company Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by 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 Group and Company as at the end of the financial year, 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, 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 transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company, and enable them to ensure that the Financial Statements comply with the requirements of 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the Financial Statements may differ from legislation in other jurisdictions.

The Company is compliant with AIM Rule 26 regarding the Company's website.

# CORPORATE GOVERNANCE

The Board of Directors currently comprises three Non-Executive Directors, one of whom is the Chairman. The Directors recognise the importance of sound corporate governance and intend to observe the requirements of the Code of Best Practice (commonly known as the “Combined Code”), as published by the Financial Reporting Council to the extent they consider appropriate in light of the Group’s size, stage of development and resources.

The Directors have responsibility for the overall corporate governance of the Company and recognise the need for the highest standards of behaviour and accountability. The Directors are committed to the principles underlying best practice in corporate governance and intend to comply with the principles of the Combined Code in such respects as they consider appropriate for a company of its size and nature. The Board has a wide range of experience directly related to the Company and its activities and its structure ensures that no one individual or group dominates the decision making process.

**Board Meetings**

The Board meets regularly throughout the year. The Board is responsible for formulating, reviewing and approving the Group's strategy, financial activities and operating performance.

**Board Committees**

The Company has established an Audit Committee and a Remuneration Committee. In light of the size of the Board, the Directors do not consider it necessary to establish a Nomination Committee. However, this will be kept under regular review.

***Audit Committee***

The Audit Committee, comprising of Malcolm James and Toby Howell, reviews the Group's annual and interim financial statements before submission to the Board for approval. The Committee also reviews regular reports from management and external auditors on accounting and internal control matters. Where appropriate, the Committee monitors the progress of action taken in relation to such matters. The Committee also recommends the appointment, and reviews the fees, of the external auditors. The Committee keeps under review the cost effectiveness and the independence and objectivity of the external auditors. A formal statement of independence is received from the external auditors each year.

***Remuneration Committee***

The Remuneration Committee, comprising of Malcolm James and Toby Howell, is responsible for reviewing the performance of the executive Directors and for setting the scale and structure of their remuneration, determining the payment of bonuses, considering the grant of options under any share option scheme and, in particular, the price per share and the application of performance standards which may apply to any such grant, paying due regard to the interests of shareholders as a whole and the performance of the Group.

**Internal Controls**

The Directors acknowledge their responsibility for the Group’s systems of internal controls and for reviewing their effectiveness. These internal controls are designed to safeguard the assets of the Group and to ensure the reliability of financial information for both internal use and external publication. Whilst they are aware that no system can provide absolute assurance against material misstatement or loss, in light of increased activity and further development of the Group, continuing reviews of internal controls will be undertaken to ensure that they are adequate and effective.

**Risk Management**

The Board considers risk assessment to be important in achieving its strategic objectives. Project milestones and timelines are regularly reviewed.

**Securities Trading**

The Group has adopted a share dealing code for dealings in shares by directors and senior employees which is appropriate for an AIM company. The Directors will comply with Rule 21 of the AIM Rules relating to Directors’ dealings and will take all reasonable steps to ensure compliance by the Group’s applicable employees.

**Relations with Shareholders**

The Board is committed to providing effective communication with the Shareholders of the Company. Significant developments are disseminated through stock exchange announcements and regular updates of the Company website. The Board views the AGM as a forum for communication between the Company and its shareholders and encourages their participation in its agenda.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALECTO ENERGY PLC

We have audited the Financial Statements of Alecto Energy plc for the year ended 31 December 2010 which comprise the Group and Parent Company Balance Sheets, the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Changes in Shareholders' Equity, the Group and Parent Company Cash Flow Statements 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 Auditors**

As explained more fully in the Directors' Responsibilities Statement, 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 Ethical Standards for Auditors.

**Scope of the audit of the Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the Financial Statements.

**Opinion on Financial Statements**

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of 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 matter 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.

**Matters on which we are required to report by exception**

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.

We have nothing to report in respect of the above matters.

**Mark Ling (Senior statutory auditor)**
**For and on behalf of Littlejohn LLP**
**Statutory auditor**

1 Westferry Circus
Canary Wharf
London E14 4HD

19 April 2011

## ALECTO ENERGY PLC

## BALANCE SHEETS
## As at 31 December 2010

**Company number: 05315922**

| | Note | Group 2010 £ | Group 2009 £ | Company 2010 £ | Company 2009 £ |
|---|---|---|---|---|---|
| **Non-Current Assets** | | | | | |
| Property, plant and equipment | 7 | **-** | - | **-** | - |
| Intangible assets | 8 | **768,489** | - | **-** | - |
| Investment in subsidiaries | 9 | **-** | - | **807,643** | - |
| Restricted assets | 10 | **21,464** | - | **-** | - |
| Available-for-sale financial assets | 11 | **365,000** | - | **365,000** | - |
| | | **1,154,953** | - | **1,172,643** | - |
| **Current Assets** | | | | | |
| Trade and other receivables | 12 | **126,774** | 27,200 | **126,774** | 27,200 |
| Cash and cash equivalents | 13 | **2,015,012** | 741,964 | **2,015,011** | 741,512 |
| | | **2,141,786** | 769,164 | **2,141,785** | 768,712 |
| **Total Assets** | | **3,296,739** | 769,164 | **3,314,428** | 768,712 |
| **Current Liabilities** | | | | | |
| Trade and other payables | 14 | **82,837** | 67,330 | **80,777** | 67,330 |
| | | **82,837** | 67,330 | **80,777** | 67,330 |
| **Non-current liabilities** | | | | | |
| Deferred tax | 15 | **-** | - | **-** | - |
| | | **-** | **-** | **-** | - |
| **Total Liabilities** | | **82,837** | 67,330 | **80,777** | 67,330 |
| **Net Assets** | | **3,213,902** | 701,834 | **3,233,651** | 701,382 |
| **Capital and Reserves Attributable to Equity Holders of the Company** | | | | | |
| Called up share capital | 16 | **1,303,860** | 656,412 | **1,303,860** | 656,412 |
| Share premium account | 16 | **5,124,210** | 3,007,576 | **5,124,210** | 3,007,576 |
| Merger reserve | | **-** | - | **-** | 405,000 |
| Other reserves | 17 | **333,938** | 182,504 | **333,938** | 182,504 |
| Foreign currency translation reserve | | **(19,748)** | (52,106) | **-** | - |
| Available-for-sale financial asset reserve | | **176,000** | - | **176,000** | - |
| Retained losses | | **(3,704,358)** | (3,092,552) | **(3,704,357)** | (3,550,110) |
| **Total Equity** | | **3,213,902** | 701,834 | **3,233,651** | 701,382 |

The Financial Statements were approved and authorised for issue by the Board of Directors on 19 April 2011 and were signed on its behalf by:

Damian Conboy
Executive Director

The Notes on pages 20 to 44 form part of these Financial Statements.

## GROUP INCOME STATEMENT
## For the year ended 31 December 2010

| | | Group | | | | | |
|---|---|---|---|---|---|---|---|
| | | **Continuing Operations** | **Discontinuing Operations** | **Total** | Continuing Operations | Discontinuing Operations | Total |
| | Note | **2010** | **2010** | **2010** | 2009 | 2009 | 2009 |
| | | **£** | **£** | **£** | £ | £ | £ |
| Administration expenses | | **(604,005)** | **-** | **(604,005)** | (208,538) | (4,287) | (212,825) |
| Loss on foreign exchange | | **-** | **-** | **-** | - | (1,623) | (1,623) |
| Loss on dissolution of subsidiary | 18 | **-** | **(52,558)** | **(52,558)** | **-** | **-** | **-** |
| **Operating Loss** | 6 | **(604,005)** | **(52,558)** | **(656,563)** | (208,538) | (5,910) | (214,448) |
| Finance income | 21 | **757** | **-** | **757** | 698 | - | 698 |
| **Loss Before Taxation** | | **(603,248)** | **(52,558)** | **(655,806)** | (207,840) | (5,910) | (213,750) |
| Corporation tax credit | 22 | **44,000** | **-** | **44,000** | - | - | - |
| **Loss for the Year** | | **(559,248)** | **(52,558)** | **(611,806)** | (207,840) | (5,910) | (213,750) |
| **Attributable to Owners of the Parent** | | **(559,248)** | **(52,558)** | **(611,806)** | (207,840) | (5,910) | (213,750) |
| **Basic and Diluted Loss Per Share (pence)** | 23 | (0.531) p | (0.049) p | (0.580) p | (0.410) p | (0.011) p | (0.421) p |

The loss for the Company for the year was £559,247 (31 December 2009: £209,464).

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 from presenting the Parent Company Income Statement and Statement of Comprehensive Income.

## GROUP STATEMENT OF COMPREHENSIVE INCOME
## For the year ended 31 December 2010

| | | Group | | | | | |
|---|---|---|---|---|---|---|---|
| | | **Continuing Operations** | **Discontinuing Operations** | **Total** | Continuing Operations | Discontinuing Operations | Total |
| | Note | **2010** | **2010** | **2010** | 2009 | 2009 | 2009 |
| | | **£** | **£** | **£** | £ | £ | £ |
| Loss for the year | | **(559,248)** | **(52,558)** | **(611,806)** | (207,840) | (5,910) | (213,750) |
| **Other Comprehensive Income:** | | | | | | | |
| Exchange differences on translating foreign operations | | **(19,748)** | **-** | **(19,748)** | - | 708 | 708 |
| Reclassification adjustment: Cumulative foreign currency translation losses on dissolution of subsidiary | | **-** | **52,106** | **52,106** | - | - | - |
| Available-for-sale financial assets (net of tax) | 22 | **176,000** | **-** | **176,000** | - | - | - |
| **Total Comprehensive Income for the Year Attributable to Owners of the Parent** | | **(402,996)** | **(452)** | **(403,448)** | (207,840) | (5,202) | (213,042) |

The Notes on pages 20 to 44 form part of these Financial Statements.

## ALECTO ENERGY PLC

## GROUP STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
## For the year ended 31 December 2010

| | Attributable to owners of the parent | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Available-for-sale investments | Share option reserve | Translation reserve | Profit and loss account | Total equity |
| | £ | £ | £ | £ | £ | £ | £ |
| **As at 1 January 2009** | **196,146** | **2,755,170** | **-** | **175,707** | **(52,814)** | **(2,878,802)** | **195,407** |
| **Comprehensive income** | | | | | | | |
| Loss for the year | | | | | | (213,750) | (213,750) |
| **Other comprehensive income** | | | | | | | |
| Currency translation differences | - | - | - | - | 708 | - | 708 |
| **Total comprehensive income** | **-** | **-** | **-** | **-** | **708** | **(213,750)** | **(213,042)** |
| **Transactions with owners** | | | | | | | |
| Issue of ordinary shares | 460,266 | 258,010 | - | - | - | - | 718,276 |
| Share based payments | - | (5,604) | - | 6,797 | - | - | 1,193 |
| **Total transactions with owners** | **460,266** | **252,406** | **-** | **6,797** | **-** | **-** | **719,469** |
| **As at 31 December 2009** | **656,412** | **3,007,576** | **-** | **182,504** | **(52,106)** | **(3,092,552)** | **701,834** |
| **Comprehensive income** | | | | | | | |
| Loss for the year | - | - | - | - | - | (611,806) | (611,806) |
| **Other comprehensive income** | | | | | | | |
| Currency translation differences | - | - | - | - | 32,358 | - | 32,358 |
| Available-for-sale financial assets (net of tax) | - | - | 176,000 | - | - | - | 176,000 |
| Total other comprehensive income | - | - | 176,000 | - | 32,358 | - | 208,358 |
| **Total Comprehensive income** | **-** | **-** | **176,000** | **-** | **32,358** | **(611,806)** | **(403,448)** |
| **Transactions with owners** | | | | | | | |
| Issue of ordinary shares | 647,448 | 2,286,633 | - | - | - | - | 2,934,081 |
| Issue costs | - | (169,999) | - | 108,327 | - | - | (61,672) |
| Share based payments | - | - | - | 43,107 | - | - | 43,107 |
| **Total transactions with owners** | **647,448** | **2,116,634** | **-** | **151,434** | **-** | **-** | **2,915,516** |
| **As at 31 December 2010** | **1,303,860** | **5,124,210** | **176,000** | **333,938** | **(19,748)** | **(3,704,358)** | **3,213,902** |

## COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
## For the year ended 31 December 2010

| | Attributable to owners of the parent | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital £ | Share premium £ | Merger reserve £ | Available-for-sale investments £ | Share option reserve £ | Profit and loss account £ | Total equity £ |
| **As at 1 January 2009** | **196,146** | **2,755,170** | **405,000** | **-** | **175,707** | **(3,340,646)** | **191,377** |
| **Comprehensive income** | | | | | | | |
| Loss for the year | - | - | - | - | - | (209,464) | (209,464) |
| **Transactions with owners** | | | | | | | |
| Issue of ordinary shares | 460,266 | 258,010 | - | - | - | - | 718,276 |
| Share based payments | - | (5,604) | - | - | 6,797 | - | 1,193 |
| **Total transactions with owners** | **460,266** | **252,406** | **-** | **-** | **6,797** | **-** | **719,469** |
| **As at 31 December 2009** | **656,412** | **3,007,576** | **405,000** | **-** | **182,504** | **(3,550,110)** | **701,382** |
| **Comprehensive income** | | | | | | | |
| Loss for the year | - | - | - | - | - | (559,247) | (559,247) |
| **Other comprehensive income** | | | | | | | |
| Available-for-sale financial assets (net of tax) | - | - | - | 176,000 | - | - | 176,000 |
| **Total comprehensive income** | **-** | **-** | **-** | **176,000** | **-** | **(559,247)** | **(383,247)** |
| **Transactions with owners** | | | | | | | |
| Issue of ordinary shares | 647,448 | 2,286,633 | - | - | - | - | 2,934,081 |
| Issue costs | - | (169,999) | - | - | 108,327 | | (61,672) |
| Share based payments | - | - | - | - | 43,107 | - | 43,107 |
| Transfer of impairment charges | - | - | (405,000) | - | - | 405,000 | - |
| **Total transactions with owners** | 647,448 | 2,116,634 | (405,00) | - | 151,434 | 405,000 | 2,915,516 |
| **As at 31 December 2010** | 1,303,860 | 5,124,210 | - | 176,000 | 333,938 | (3,704,357) | 3,233,651 |

During the year ended 31 December 2008 the Company acquired Oreion Australia Energy Pty Ltd via a share for share exchange. The acquisition qualified for merger relief under section 131 of the Companies Act 1985. The resultant merger reserve has been applied to subsequent impairments and the eventual write off of the investment in Oreion in accordance with the provisions of section 612 of the Companies Act 2006.

The Notes on pages 20 to 44 form part of these Financial Statements.

## GROUP CASH FLOW STATEMENT
## For the year ended 31 December 2010

| | | Group | | | | | |
|---|---|---|---|---|---|---|---|
| | | **Continuing Operations** | **Dis-continuing Operations** | **Total** | Continuing Operations | Dis-continuing Operations | Total |
| | | **2010** | **2010** | **2010** | 2009 | 2009 | 2009 |
| | Note | **£** | **£** | **£** | £ | £ | £ |
| **Cash flows from operating activities** | | | | | | | |
| Operating loss | | (604,005) | (52,558) | (656,563) | (208,538) | (5,910) | (214,448) |
| Adjustments for: | | | | | | | |
| Depreciation | | - | - | - | 292 | - | 292 |
| Share options expense | | 43,106 | - | 43,106 | 1,193 | - | 1,193 |
| Loss on dissolution of subsidiary | | - | 52,558 | 52,558 | - | - | - |
| Exclusivity fee | | 90,000 | - | 90,000 | - | - | - |
| Consultancy fees paid in shares | | 70,000 | - | 70,000 | - | - | - |
| Decrease in trade and other receivables | | 7,328 | - | 7,328 | 5,217 | 1,197 | 6,414 |
| Decrease in trade and other payables | | (38,254) | - | (38,254) | (48,759) | - | (48,759) |
| Foreign exchange | | - | - | - | - | 1,623 | 1,623 |
| **Net cash used in operations** | | (431,825) | - | (431,825) | (250,595) | (3,090) | (253,685) |
| **Cash flows from investing activities** | | | | | | | |
| Cash paid on dissolution of subsidiary | | - | (452) | (452) | - | - | - |
| Interest received | | 757 | - | 757 | 698 | - | 698 |
| Cash paid for restricted assets | | (21,465) | | (21,465) | - | - | - |
| Loans to third parties | | (45,000) | - | (45,000) | - | - | - |
| Purchase of available-for-sale financial assets | | (100,000) | - | (100,000) | - | - | - |
| Purchase of intangible assets | | (244,307) | - | (244,307) | - | - | - |
| **Net cash generated/(used) in investing activities** | | (410,015) | (452) | (410,467) | 698 | - | 698 |
| **Cash flows from financing activities** | | | | | | | |
| Proceeds from issue of share capital | | 2,177,179 | - | 2,177,179 | 723,277 | - | 723,277 |
| Transaction costs of share issue | | (61,672) | - | (61,672) | (5,000) | - | (5,000) |
| **Net cash generated from financing activities** | | 2,115,507 | - | 2,115,507 | 718,277 | - | 718,277 |
| **Net increase / (decrease) in cash and cash equivalents** | | 1,273,667 | (452) | 1,273,215 | 468,380 | (3,090) | 465,290 |
| **Cash and cash equivalents at beginning of period** | | 741,512 | 452 | 741,964 | 273,132 | 3,013 | 276,145 |
| Exchange gains on cash and cash equivalents | | (167) | - | (167) | - | 529 | 529 |
| **Cash and cash equivalents at end of period** | 13 | 2,015,012 | - | 2,015,012 | 741,512 | 452 | 741,964 |

### Major non-cash transactions

On 27 January 2010 the Company entered into a non-binding memorandum of terms with the shareholders of Bulgarian Mining Corporation Limited ("BMC') for a 90 day exclusivity period during which the Company performed due diligence on BMC. In consideration for this exclusivity period the Company paid the shareholders of BMC £90,000, settled through the issue of 30,000,000 ordinary shares in the Company (refer note 11). On the same date the Company agreed to the provision of a £45,000 working capital facility to BMC. On 27 July 2010 the Company exercised its option to convert this working capital facility into shares in BMC.

## GROUP CASH FLOW STATEMENT (continued)
## For the year ended 31 December 2010

**Major non-cash transactions (continued)**

On 31 March 2010 the Company issued 53,125,000 shares at a subscription price of 0.32 pence per share via a placing. £3,000 in relation to this share placing remained outstanding and unpaid at 31 December 2010.
The Company issued 21,875,000 of the placing shares to certain professional advisors in settlement of outstanding liabilities for services provided to the Group prior to that date.

On 22 October 2010 the Company issued 21,777,778 shares to a consultant in settlement of various services provided in relation to the Group's exploration and evaluation licences. Fees of £490,000 in relation to these services have been capitalised as part of intangible assets as they relate to qualifying services in accordance with IFRS 6 'Exploration for and evaluation of mineral resources.'

On 21 December 2010 the Company issued 62,402,325 shares at a subscription price of 3.5 pence per share via a placing. £103,902 in relation to this share placing remained outstanding and unpaid at 31 December 2010. As part of the placing, the Company issued warrants to share subscribers representing one warrant for every two shares subscribed to. The cost of these warrants has been offset against the premium raised on this share issue.

At 31 December 2010 £53,764 of exploration and evaluation additions remained outstanding and unpaid.

The Group revalued its available-for-sale investments to their fair value at the reporting date, in accordance with the requirements of IAS 39. The resultant gain of £176,000 (net of tax) was included within other comprehensive income.

The Notes on pages 20 to 44 form part of these Financial Statements.

## ALECTO ENERGY PLC

## COMPANY CASH FLOW STATEMENT
## For the year ended 31 December 2010

| | | Company | | | | | |
|---|---|---|---|---|---|---|---|
| | | **Continuing Operations** | **Dis-continuing Operations** | **Total** | Continuing Operations | Dis-continuing Operations | Total |
| | | **2010** | **2010** | **2010** | 2009 | 2009 | 2009 |
| | Note | **£** | **£** | **£** | £ | £ | £ |
| **Cash flows from operating activities** | | | | | | | |
| Operating loss | | (604,005) | - | (604,005) | (210,162) | - | (210,162) |
| Adjustments for: | | | | | | | |
| Depreciation | | - | - | - | 292 | - | 292 |
| Share options expense | | 43,106 | - | 43,106 | 1,193 | - | 1,193 |
| Exclusivity fee | | 90,000 | - | 90,000 | - | - | - |
| Consultancy fees paid in shares | | 70,000 | - | 70,000 | - | - | - |
| Decrease in trade and other receivables | | 7,328 | - | 7,328 | 5,217 | - | 5,217 |
| Increase / (decrease) in trade and other payables | | 13,451 | - | 13,451 | (50,755) | - | (50,755) |
| **Net cash used in operations** | | (380,120) | - | (380,120) | (250,595) | - | (250,595) |
| **Cash flows from investing activities** | | | | | | | |
| Interest received | | 757 | - | 757 | 698 | - | 698 |
| Loans to third parties | | (45,000) | - | (45,000) | - | - | - |
| Purchase of available-for-sale financial assets | | (100,000) | - | (100,000) | - | - | - |
| Purchase of shares in subsidiary undertakings | | (1) | - | (1) | - | - | - |
| Loans granted to subsidiary undertakings | | (317,642) | - | (317,642) | - | - | - |
| **Net cash (used) / generated in investing activities** | | (461,886) | - | (461,886) | 698 | - | 698 |
| **Cash flows from financing activities** | | | | | | | |
| Proceeds from issue of share capital | | 2,177,179 | - | 2,177,179 | 723,277 | - | 723,277 |
| Transaction costs of share issue | | (61,672) | - | (61,672) | (5,000) | - | (5,000) |
| **Net cash generated from financing activities** | | 2,115,507 | - | 2,115,507 | 718,277 | - | 718,277 |
| **Net increase / (decrease) in cash and cash equivalents** | | 1,273,499 | - | 1,273,499 | 468,380 | - | 468,380 |
| **Cash and cash equivalents at beginning of period** | | 741,512 | - | 741,512 | 273,132 | - | 273,132 |
| **Cash and cash equivalents at end of period** | 13 | 2,015,011 | - | 2,015,011 | 741,512 | - | 741,512 |

### Major non-cash transactions

On 27 January 2010 the Company entered into a non-binding memorandum of terms with the shareholders of Bulgarian Mining Corporation Limited ("BMC') for a 90 day exclusivity period during which the Company performed due diligence on BMC. In consideration for this exclusivity period the Company paid the shareholders of BMC £90,000, settled through the issue of 30,000,000 ordinary shares in the Company (refer note 11). On the same date the Company agreed to the provision of a £45,000 working capital facility to BMC. On 27 July 2010 the Company exercised its option to convert this working capital facility into shares in BMC.

On 31 March 2010 the Company issued 53,125,000 shares at a subscription price of 0.32 pence per share via a placing. £3,000 in relation to this share placing remained outstanding and unpaid at 31 December 2010. The Company issued 21,875,000 of the placing shares to certain professional advisors in settlement outstanding liabilities for services provided to the Group prior to that date.

## COMPANY CASH FLOW STATEMENT (continued)
## For the year ended 31 December 2010

**Major non-cash transactions (continued)**

On 22 October 2010 the Company issued 21,777,778 shares to a consultant in settlement of various services provided in relation to exploration and evaluation licences owned by a subsidiary of the Company. Fees of £490,000 in relation to these services have been charged to the relevant subsidiary of the Company.

On 21 December 2010 the Company issued 62,402,325 shares at a subscription price of 3.5 pence per share via a placing. £103,902 in relation to this share placing remained outstanding and unpaid at 31 December 2010. As part of the placing, the Company issued warrants to share subscribers representing one warrant for every two shares subscribed to. The cost of these warrants has been offset against the premium raised on this share issue.

The Company revalued its available-for-sale investments to their fair value at the reporting date, in accordance with the requirements of IAS 39. The resultant gain of £176,000 (net of tax) was included within other comprehensive income.

The Notes on pages 20 to 44 form part of these Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS
## For the year ended 31 December 2010

## 1. General information

The principal activity of Alecto Energy Plc (‘the Company’) and its subsidiaries (together ‘the Group’) is the exploration and development of precious and base metals. The Company’s shares are listed on the Alternative Investment Market of the London Stock Exchange. The Company is incorporated and domiciled in the UK.

The address of its registered office is 200 Strand, London WC2R 1DJ.

### 2. Summary of Significant Accounting Policies

The principal Accounting Policies applied in the preparation of these Financial Statements are set out below. These Policies have been consistently applied to all the periods presented, unless otherwise stated.

**2.1 Basis of Preparation of Financial Statements**

The Consolidated Financial Statements have been prepared in accordance with EU-endorsed International Financial Reporting Standards (IFRSs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations and the parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Consolidated Financial Statements have also been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

The Financial Statements are presented in Pound Sterling rounded to the nearest pound.

Alecto Energy Plc, the legal parent, is domiciled and incorporated in the United Kingdom.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s Accounting Policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 4.

**2.2 Changes in accounting policy and disclosures**

*(a) New and amended standards adopted by the Group*

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

IFRS 3 (revised), ‘Business Combinations’, and consequential amendments to IAS 27, ‘Consolidated and separate financial statements’, IAS 28 ‘Investments in associates’, and IAS 31 ‘Interests in joint ventures’, are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared to IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. All acquisition costs are expensed.

The adoption of these standards has no impact on the current period, as all new companies within the Group have been owned since incorporation.

*(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group*

The following standards and amendments to existing standards have been published and are mandatory for the group’s accounting periods beginning on or after 1 January 2010, but are not relevant to the Group.

Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards” and IAS 27 “Consolidated and Separate Financial Statements” addressed concerns that retrospectively determining the cost of an investment in separate financial statements and applying the cost method in accordance with IAS 27 on first-time adoption of IFRSs cannot, in some circumstances, be achieved without undue cost or effort. These amendments were effective for periods beginning on or after 1 July 2009.

Further amendments to IFRS 1 addressed the retrospective application of IFRSs to particular situations (oil and gas assets and leasing contracts), and are aimed at ensuring that entities applying IFRSs will not face undue cost or effort in the transition process. These amendments were effective for periods beginning on or after 1 January 2010.

**2.2 Changes in accounting policy and disclosures (continued)**

*(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the group (continued)*

Amendments to IFRS 2 “Share-based Payment” clarified the accounting for group cash-settled share-based payment transactions. These amendments were effective for periods beginning on or after 1 January 2010.

Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” provided additional guidance on what can be designated as a hedged item. These amendments were effective for periods beginning on or after 1 July 2009.

IFRIC 17 “Distributions of Non-cash Assets to Owners” standardised practice in the measurement of distributions of non-cash assets to owners. This interpretation was effective for periods beginning on or after 1 July 2009.

IFRIC 18 “Transfers of Assets from Customers” clarified the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). This interpretation was effective for periods beginning on or after 1 July 2009.

*(c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2010 and not early adopted*

The group and parent entity’s assessment of the impact of these new standards and interpretations is set out below.

IFRS 9 “Financial Instruments” specifies how an entity should classify and measure financial instruments, including some hybrid contracts, with the aim of improving and simplifying the approach to classification and measurement compared with IAS 39. This standard is effective for periods beginning on or after 1 January 2013, subject to EU endorsement. The Directors are assessing the possible impact of this standard on the Group’s financial statements.

A revised version of IAS 24 “Related Party Disclosures” simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. This revision is effective for periods beginning on or after 1 January 2011 and is not expected to have an impact on the Group’s financial statements.

An amendment to IFRS 1 “First-time Adoption of International Financial Reporting Standards” relieves first-time adopters of IFRSs from providing the additional disclosures introduced in March 2009 by “Improving Disclosures about Financial Instruments” (Amendments to IFRS 7). This amendment is effective for periods beginning on or after 1 July 2010 and is not expected to have an impact on the Group’s financial statements.

Further amendments to IFRS 1 replace references to a fixed date of 1 January 2004 with “the date of transition to IFRSs”, thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs, and provide guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. This amendment is effective for periods beginning on or after 1 July 2011, subject to EU endorsement, and is not expected to have an impact on the Group’s financial statements.

Amendments to IFRS 7 “Financial Instruments: Disclosures” are designed to help users of financial statements evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity’s financial position. These amendments are effective for periods beginning on or after 1 January 2011, subject to EU endorsement. The Directors are assessing the possible impact of these amendments on the Group’s financial statements.

Amendments to IAS 12 “Income Taxes” introduce a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 “Investment Property” will normally be through sale. These amendments are effective for periods beginning on or after 1 January 2012, subject to EU endorsement, and are not expected to have an impact on the Group’s financial statements.

Amendments to IAS 32 “Financial Instruments: Presentation” address the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. These amendments are effective for periods beginning on or after 1 February 2010, and are not expected to have an impact on the Group’s financial statements.

“Improvements to IFRSs” are collections of amendments to IFRSs resulting from the annual improvements project, a method of making necessary, but non-urgent, amendments to IFRSs that will not be included as part of another major project. These improvements have various implementation dates; for May 2010 improvements, the earliest is effective for periods beginning on or after 1 July 2010 subject to EU endorsement. The Directors are assessing the possible impact of these improvements on the Group’s financial statements.

**2.2 Changes in accounting policy and disclosures (continued)**

*(c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2010 and not early adopted*

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" clarifies the treatment required when an entity renegotiates the terms of a financial liability with its creditor, and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. This interpretation is effective for periods beginning on or after 1 July 2010. The Directors are assessing the possible impact of this interpretation on the Group's financial statements.

An amendment to IFRIC 14 "IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", on prepayments of a minimum funding requirement, applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset. This amendment is effective for periods beginning on or after 1 January 2011, and is not expected to have an impact on the Group's financial statements.

**2.3 Basis of Consolidation**

The Group Financial Statements consolidate the Financial Statements of Alecto Energy plc and the management accounts of all of its subsidiary undertakings made up to 31 December 2010.

Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred unless they result from the issuance of shares, in which case they are offset against the premium on those shares within equity. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date.

Investments in subsidiaries are accounted for at cost less impairment.

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 significant intercompany transactions and balances between Group enterprises are eliminated on consolidation.

**2.4 Going Concern**

The Group's business activities together with the factors likely to affect its future development, performance and position are set out in the Chairman's report on page 3. In addition, Notes 3 and 4 to the Financial Statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposure to credit and liquidity risk.

The Financial Statements have been prepared on a going concern basis. Although the Group's assets are not generating revenues and an operating loss has been reported, the Directors believe that the Group has sufficient funds to undertake its operating activities over the next 12 months including any additional payment required in relation to its current exploration projects. The Group has financial resources which, the Directors believe, will be sufficient to fund the Group's committed expenditure both operationally and on various exploration projects for this time period. However, in order to meet the minimum spending requirements over the life of existing projects and as additional projects are identified additional funding will be required. The amount of funding is unforeseen at the point of approval of these Financial Statements and the Group will be required to raise additional funds either via an issue of equity or through the issuance of debt. The Directors are confident that funds will be forthcoming if and when they are required.

The Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### 2.5 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

### 2.6 Foreign Currencies

*(a) Functional and presentation currency*

Items included in the Financial Statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The functional currency of the UK parent entity is sterling and the functional currency of the BVI subsidiary is US Dollars. The currency of Mauritania is the Mauritanian Ouguiya, however all material contracts with the Mauritanian subsidiary are denominated in Euros which is, therefore, its functional currency. The functional currency of the Group's previously owned Australian subsidiary was Australian Dollars. The Financial Statements are presented in pound sterling, rounded to the nearest pound, which is the Company's functional and Group's presentation currency.

*(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where such items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

*(c) Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of monetary items receivable from foreign subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future are taken to other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

### 2.7 Intangible assets

The Group recognises expenditure as exploration and evaluation assets when it determines that those assets will be successful in finding specific mineral resources. Expenditure included in the initial measurement of exploration and evaluation assets and which are classified as intangible assets relate to the acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling and activities to evaluate the technical feasibility and commercial viability of extracting a mineral resource. Capitalisation of pre-production expenditure ceases when the mining property is capable of commercial production.

Exploration and evaluation assets are recorded and held at cost.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The assessment is carried out by allocating exploration and evaluation assets to cash generating units, which are based on specific projects or geographical areas.

Whenever the exploration for and evaluation of mineral resources in cash generating units does not lead to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities of that unit, the associated expenditures are written off to the income statement.

### 2.8 Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided on all tangible assets to write off the cost less estimated residual value of each asset over its expected useful economic life on a straight line basis at the following annual rates:

Computer equipment – 40% straight line

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains' in the income statement.

### 2.9 Impairment of non-financial assets

Assets that have an indefinite useful life, for example, intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Tangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### 2.10 Financial Assets

**Classification**

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

*(i) 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 included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables, restricted assets and cash and cash equivalents in the balance sheet.

*(ii) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period.

**Recognition and measurement**

Investments are initially recognised at fair value plus transaction costs, for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred, and the Group has transferred substantially all of the risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value unless the Group is precluded from doing so as, in the case of unlisted equity securities, the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. In such circumstances available-for-sale financial assets are held at cost and reviewed annually for impairment. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "gains and losses from investment securities."

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of Other Income when the Group's right to receive payments is established.

**2.10 Financial Assets (continued)**

**Impairment of financial assets**

*(i) Assets carried at amortised cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset, or a group of financial assets, is impaired. A financial asset, or a group of financial assets, is impaired, and impairment losses are incurred, only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event"), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset, or group of financial assets, that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal repayments;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced, and the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

*(ii) Assets classified as available-for-sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset, or a group of financial assets, is impaired. For debt securities, the Group uses the criteria referred to in (i) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

**2.11 Cash and Cash Equivalents**

Cash and cash equivalents comprise cash in hand, demand deposits, bank overdrafts, and short-term, highly liquid investments that are readily convertible into known amounts of cash, and are subject to an insignificant risk of changes in value.

### 2.12 Taxation

The tax credit or expense for the period comprises deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets and liabilities are not discounted.

### 2.13 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### 2.14 Share Based Payments

The Group operates a number of equity-settled, share-based schemes, under which the entity receives services from employees or third party suppliers as consideration for equity instruments (options and warrants) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the income statement or charged to equity depending on the nature of the service provided. The total amount to be expensed or charged is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability or sales growth targets, or remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense or charge is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement or equity as appropriate, with a corresponding adjustment to a separate reserve in equity.

When the options are exercised, the Company issues new shares. The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium when the options are exercised.

### 2.15 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method.

### 2.16 Operating leases

Leases of assets under which a significant amount of the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged to the income statement on a straight-line basis over the period of the respective leases.

### 2.17 Finance income

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

## 3. Financial Risk Management

### 3.1 Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

***Market Risk***

*(a) Foreign currency risks*

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro, Bulgarian Leva, Mauritanian Ouguiya and the UK pound. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group negotiates all material contracts for activities in relation to its subsidiary in Euros which in the Directors' opinion is more stable than the local currency. The Group also holds minimal liquid assets in Mauritanian Ouguiya. The Group does not hedge against the risks of fluctuations in exchange rates. The volume of transactions is not deemed sufficient to enter into forward contracts. The Group has not sensitised the figures for fluctuations in foreign exchange rates as the Directors are of the opinion that these fluctuations would not have a significant impact on the financial statements of the Group at the present time. The Directors will continue to assess the effect of movements in exchange rates on the Groups financial operations and initiate suitable risk management measures where necessary.

*(b) Price risk*

The Group is exposed to commodity price risk as a result of its operations. However, given the size of the Group's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The Directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

The Group is exposed to equity securities price risk because of investments held by the Group as available-for-sale financial assets. The Group's investments in equity of other entities that are publicly traded are listed on AIM. There is a limited volume of shares traded in the Company's investee and if the Company was to dispose of a significant percentage of its shares this could have a substantial impact on the realisable value of these shares.

The Group does not have a substantial portfolio of shares and manages its price risk by undertaking specific company research prior to investing. The Group's listed equity investment is held for long term growth which the Directors believe mitigates the risk of crystallising short term speculative reductions in value.

The table below summarises the impact of increases/decreases in the AIM index on the Group's other comprehensive income for the year. The analysis is based on the assumption that the AIM index had increased/decreased by 10% with all other variables held constant and all the Group's listed equity investments moved according to the historical correlation with the index.

| **2010**<br>**Index** | **Impact on post tax losses**<br>**£** | **Impact on other comprehensive income**<br>**£** |
|---|---|---|
| **AIM** | **12,160** | **48,640** |

No comparative figures are presented as the Group did not have listed equity investments at 31 December 2009.

Other comprehensive income would increase/decrease as a result of gains/losses on listed equity securities classified as available-for-sale. Post tax losses would increase/decrease as a result of the utilisation of tax losses arising from the movement in fair value of listed equity securities classified as available-for-sale.

*(c) Interest rate risk*

As the Group has no borrowings, it is not exposed to interest rate risk on financial liabilities. The Group's interest rate risk arises from its cash held on short-term deposit, which is not significant.

***Credit Risk***

Credit risk arises from cash and cash equivalents as well as outstanding receivables. Management does not expect any losses from non-performance of these receivables.

The amount of exposure to any individual counter party is subject to a limit, which is assessed by the Board.

The Group considers the credit ratings of banks in which it holds funds in order to reduce exposure to credit risk.

# NOTES TO THE FINANCIAL STATEMENTS
# For the year ended 31 December 2010

## 3. Financial Risk Management (continued)

### 3.1 Financial Risk Factors (continued)

***Liquidity Risk***

In keeping with similar sized mineral exploration groups, the Group's continued future operations depend on the ability to raise sufficient working capital through the issue of equity share capital. The Directors are confident that adequate funding will be forthcoming with which to finance operations. Controls over expenditure are carefully managed.

### 3.2 Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and to enable the Group to continue its exploration and evaluation activities. The Group has no debt at 31 December 2010 and defines capital based on the total equity of the Company. The Group monitors its level of cash resources available against future planned exploration and evaluation activities and may issue new shares in order to raise further funds from time to time.

### 3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

The following table presents the Group's assets that are measured at fair value at 31 December 2010. The Group does not have any liabilities measured at fair value. The Group had no assets or liabilities measured at fair value at 31 December 2009.

| Assets | Level 1<br>£ | Total<br>£ |
|---|---|---|
| Available-for-sale financial assets | 320,000 | 320,000 |
| Total assets | 320,000 | 320,000 |

The fair value of financial instruments traded in an active market is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise AIM listed equity investments classified as available-for-for sale financial assets.

## 4. Critical Accounting Estimates and Judgements

The preparation of the combined financial statements in conformity with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the year. Actual results may vary from the estimates used to produce these Financial Statements.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant items subject to such estimates and assumptions include, but are not limited to:

*Impairment of exploration and evaluation costs*

Exploration and evaluation costs have a carrying value at 31 December 2010 of £768,489 (2009: £Nil). Such assets have an indefinite useful life as the Group has a right to renew exploration licences and the asset is only depreciated once extraction of the resource commences. Management tests annually whether exploration projects have future economic value in accordance with the accounting policy stated in note 2.7. Each exploration project is subject to an annual review by either a consultant or senior company geologist to determine if the exploration results returned during the year warrant further exploration expenditure and have the potential to result in an economic discovery. This review takes into consideration long term metal prices, anticipated resource volumes and supply and demand outlook. In the event that a project does not represent an economic exploration target and results indicate there is no additional upside a decision will be made to discontinue exploration. The Directors have reviewed the estimated value of each project prepared by management and have made concluded that no impairment charge is necessary.

*Share based payment transactions*

The Group has made awards of options and warrants over its unissued share capital to certain Directors and employees as part of their remuneration package. Certain warrants have also been issued to shareholders as part of their subscription for shares and suppliers for various services received.

The valuation of these options and warrants involves making a number of critical estimates relating to price volatility, future dividend yields, expected life of the options and forfeiture rates. These assumptions have been described in more detail in note 17.

*Available-for-sale financial assets*

Available-for-sale financial assets have a carrying value at 31 December 2010 of £365,000 (2009: £Nil). The Group holds both listed and unlisted equity securities as available-for-sale financial assets.

At 31 December 2010 the Group's listed equity securities held as available-for-sale investments were suspended from trading as the investee was pursuing a significant acquisition which constituted a reverse acquisition under the definition of AIM rule 14. The fair value of these financial instruments has been determined by reference to the last available market price of those instruments prior to suspension. The Directors have a reasonable expectation that the transaction will be completed and the investee's shares will be readmitted to AIM for trading. Should the readmission not occur the carrying value of the Group's listed equity securities of £320,000 may be impaired.

The fair value of financial instruments that are not traded in an active market (for example un-listed equity securities) is determined, where possible, by using valuation techniques. Management have concluded that in the case of unlisted securities held as available-for-sale financial assets the range of reasonable fair value estimates is significant and estimates cannot be reasonably assessed. In such circumstances the Group is precluded from measuring the instruments at fair value and have thus valued these investments at cost less impairment.

The Group follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of the short-term business outlook for the investee, including factors such as industry and sector performance and operational and financing cash flow.

## ALECTO ENERGY PLC

## NOTES TO THE FINANCIAL STATEMENTS
## For the year ended 31 December 2010

### 4. Critical Accounting Estimates and Judgements (continued)

*Current and deferred taxation*

The Group is subject to income taxes in numerous jurisdictions. Judgment is required in determining the worldwide provision for such taxes. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax liabilities have been recognised on the fair value gains in available-for-sale financial assets. A deferred tax asset has been recognised for the utilisation of the available capital tax losses against the fair value gain. Should the actual final outcome regarding the utilisation of these losses be different from management's estimations the Group may need to revise the carrying value of this asset.

### 5. Segmental Information

Management has determined the operating segments based on reports reviewed by the Board of Directors that are used to make strategic decisions. During the year Group has interests in three geographical segments, the United Kingdom, Australia and Mauritania. Activities in the UK are mainly administrative in nature whilst the activities in Mauritania relate to exploration and evaluation work. The activities in Australia relate to various costs of closure for a subsidiary of the Group which was dissolved during the year.

The Group had no turnover during the year.

| **2010** | **Australia** £ | **Mauritania** £ | **UK** £ | **Total** £ |
|---|---|---|---|---|
| Administrative expenses | - | - | 604,005 | 604,005 |
| Loss on dissolution of subsidiary | 52,558 | - | - | 52,558 |
| Loss from operations per reportable segment | 52,558 | - | 604,005 | 656,563 |
| Additions to non-current assets | - | 788,071 | - | 788,071 |
| Reportable segment assets | - | 789,953 | 2,506,786 | 3,296,739 |
| Reportable segment liabilities | - | 2,060 | 80,777 | 82,837 |

| **2009** | | **Australia** £ | **UK** £ | **Total** £ |
|---|---|---|---|---|
| Administrative expenses | | 4,287 | 208,538 | 212,825 |
| Loss on foreign exchange | | 1,623 | - | 1,623 |
| Loss from operations per reportable segment | | 5,910 | 208,538 | 214,448 |
| Depreciation charges | - | - | 292 | 292 |
| Additions to non-current assets | - | - | - | - |
| Reportable segment assets | | 452 | 768,712 | 769,164 |
| Reportable segment liabilities | | - | 67,330 | 67,330 |

Activities occurring in Australia are classified as discontinued. All other reportable segments are classified as continuing operations.

A reconciliation of adjusted loss from operations per reportable segment to profit/(loss) before tax is provided as follows:

| | **2010** £ | **2009** £ |
|---|---|---|
| Loss from operations per reportable segment | 656,563 | 214,448 |
| -Finance income | (757) | (698) |
| **Loss for the year before taxation** | **655,806** | **213,750** |

## NOTES TO THE FINANCIAL STATEMENTS
## For the year ended 31 December 2010

### 6. Operating Loss

The operating loss is stated after charging:

| | Group | |
|---|---|---|
| | **2010** | 2009 |
| | **£** | £ |
| Fees payable to the Company's auditors for the audit of the Parent Company and consolidated accounts | **12,000** | 10,000 |
| Fees payable to the Company's auditors for tax services | **1,000** | 1,000 |
| Depreciation | **-** | 292 |
| Share option costs | **42,567** | 1,193 |
| Loss on dissolution of subsidiary (note 18) | **52,558** | - |
| Operating lease charges | **39,000** | - |

### 7. Property, Plant and Equipment

| | Group | Company |
|---|---|---|
| | Computer equipment | Computer equipment |
| | £ | £ |
| **Cost** | | |
| As at 1 January 2009 | 2,101 | 2,101 |
| As at 31 December 2009 | 2,101 | 2,101 |
| As at 31 December 2010 | 2,101 | 2,101 |
| **Depreciation** | | |
| As at 1 January 2009 | 1,809 | 1,809 |
| Charge for the year | 292 | 292 |
| As at 31 December 2009 | 2,101 | 2,101 |
| Charge for the year | - | - |
| As at 31 December 2010 | 2,101 | 2,101 |
| **Net book value as at 31 December 2009** | - | - |
| **Net book value as at 31 December 2010** | - | - |

## NOTES TO THE FINANCIAL STATEMENTS
## For the year ended 31 December 2010

### 8. Intangible Fixed Assets – Exploration and Evaluation Assets

Exploration and evaluation assets are all internally generated.

| | Group | |
|---|---|---|
| | 2010 | 2009 |
| **Cost and Net Book Value** | £ | £ |
| At 1 January | - | - |
| Additions | 788,071 | - |
| Exchange rate movements | (19,582) | |
| **At 31 December** | **768,489** | - |

Exploration projects in Mauritania are at an early stage of development and no JORC or non-JORC compliant resource estimates are available to enable value in use calculations to be prepared. The Directors therefore undertook an assessment of the following areas and circumstances which could indicate the existence of impairment:

- The Group's right to explore in an area has expired, or will expire in the near future without renewal.
- No further exploration or evaluation is planned or budgeted for.
- A decision has been taken by the Board to discontinue exploration and evaluation in an area due to the absence of a commercial level of reserves.
- Sufficient data exists to indicate that the book value will not be fully recovered from future development and production.

Following their assessment the Directors concluded that no impairment of exploration and evaluation assets was necessary during the year ended 31 December 2010.

### 9. Investments in Subsidiary Undertakings

| | Company | |
|---|---|---|
| | 2010 | 2009 |
| | £ | £ |
| Shares in Group Undertakings | | |
| At 1 January | - | - |
| Additions | 1 | - |
| Disposals | - | - |
| At 31 December | **1** | - |
| Loans to Group undertakings | **807,642** | - |
| **Total** | **807,643** | - |

Investments in Group undertakings are stated at cost, which is the fair value of the consideration paid, less impairment provision.

On 24 January 2010 the Company's Australian subsidiary Oreion Australia Energy Pty Ltd was deregistered and dissolved. The carrying value of the investment had been fully impaired and provided for by the Company in the year ended 31 December 2008.

On 12 May 2010 the Company created a subsidiary in the British Virgin Islands, Alecto Holdings International Limited. On 23 December 2010 the Group created a subsidiary in Mauritania, Alecto Holdings International Limited.

## NOTES TO THE FINANCIAL STATEMENTS
## For the year ended 31 December 2010

### 9. Investments in Subsidiary Undertakings (continued)

**Details of Subsidiary Undertakings**

| Name of subsidiary | Place of establishment | Parent company | Registered capital | Share capital held | Principal activities |
|---|---|---|---|---|---|
| Alecto Holdings International Limited | British Virgin Islands | Alecto Energy plc | Ordinary shares US$1 | 100% | Dormant |
| Alecto Holdings International Limited | Mauritania | Alecto Holdings International Limited | Ordinary shares MOU 1,000,000 | 100% | Exploration |

### 10. Restricted Assets

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **£** | £ | **£** | £ |
| Bank guarantees (note 25(b)) | **21,464** | - | **-** | - |

### 11. Available-for-Sale Financial Assets

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **£** | £ | **£** | £ |
| At 1 January | **-** | - | **-** | - |
| Additions | **145,000** | - | **145,000** | - |
| Net gains transferred to equity (note 22) | **220,000** | - | **220,000** | - |
| **At 31 December** | **365,000** | - | **365,000** | - |
| Less: non-current portion | **(365,000)** | - | **(365,000)** | - |
| **Current portion** | **-** | - | **-** | - |

Available-for-sale financial assets include the following:

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **£** | £ | **£** | £ |
| UK listed equity securities | **320,000** | - | **320,000** | - |
| European unlisted equity securities | **45,000** | - | **45,000** | - |
| | **365,000** | - | **365,000** | - |

On 27 January 2010 the Company signed an agreement with Bulgarian Mining Corporation ("BMC") for the provision of a working capital facility. The Company also paid the shareholders of BMC £90,000 through the issue of shares in the Company for a 90 day exclusivity period in which to investigate the possible purchase of BMC. Following a detailed technical review by independent consultants, on 21 July 2010 the Company converted the working capital facility of £45,000 provided to BMC into a 20% equity holding in BMC.

The Company has no presence on the Board of BMC and the remaining 80% of the shares are owned by a majority shareholder. For these reasons, despite the Company holding 20% of the ordinary share capital of BMC, the Directors are of the opinion that the Company does not exercise significant influence over the financial and operating policy decisions of BMC. As a result, the Directors are satisfied that the investment in BMC does not fall within the scope of IAS 28 'Investments in Associates' and have accounted for the investment as an available-for-sale financial asset in the consolidated financial statements of the Group.

The Directors are of the opinion that £45,000 represents the fair value of the equity interesting BMC at the date of conversion of the loan.

## NOTES TO THE FINANCIAL STATEMENTS
## For the year ended 31 December 2010

### 11. Available-for-Sale Financial Assets (continued)

Available-for-sale financial assets are denominated in the following currencies:

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **£** | £ | **£** | £ |
| UK pound | **320,000** | - | **320,000** | - |
| Bulgarian Leva | **45,000** | - | **45,000** | - |
| | **365,000** | - | **365,000** | - |

None of these financial assets is impaired.

### 12. Trade and Other Receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **£** | £ | **£** | £ |
| Unpaid share capital | **106,902** | - | **106,902** | - |
| Prepayments | **11,764** | 11,748 | **11,764** | 11,748 |
| VAT receivable | **8,108** | 3,452 | **8,108** | 3,452 |
| Other receivables | **-** | 12,000 | **-** | 12,000 |
| | **126,774** | 27,200 | **126,774** | 27,200 |

Trade and other receivables are all due within one year. The fair value of all receivables is the same as their carrying values stated above.

All trade and other receivables are denominated in Pound Sterling. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

*Unpaid share capital*

Unpaid share capital of £106,902 relates to ordinary shares that have been subscribed for and issued during the year but remain unpaid at the balance sheet date. Whilst these shares remain outstanding they carry voting but no dividend rights.

On 7 January 2011 the Company received a payment of £103,902 in full settlement for 62,402,325 unpaid ordinary shares. In March 2011 the Company received payments totalling £3,000 in full settlement of the remaining unpaid share capital that was outstanding at 31 December 2010.

At 31 December 2010 All trade and other receivables were fully performing with the exception of unpaid share capital which was past due but not impaired.

### 13. Cash and Cash Equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **£** | £ | **£** | £ |
| Cash at bank and on hand | **2,015,012** | 741,964 | **2,015,011** | 741,512 |

All of the Group’s cash at bank is held with institutions with an AA credit rating.

### 14. Trade and Other Payables

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **£** | £ | **£** | £ |
| Trade payables | **58,837** | 55,950 | **56,777** | 55,950 |
| Accrued expenses | **24,000** | 11,380 | **24,000** | 11,380 |
| | **82,837** | 67,330 | **80,777** | 67,330 |

Trade and other payables include amounts due of £53,764 (2009: £Nil) in relation to exploration and evaluation activities.

### 15. Deferred tax

An analysis of deferred tax assets and liabilities is set out below.

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **£** | £ | **£** | £ |
| **Deferred tax assets** | | | | |
| Deferred tax asset to be recovered after more than 12 months | **(44,000)** | - | **(44,000)** | - |
| **Deferred tax liabilities** | | | | |
| - Deferred tax liability to be recovered after more than 12 months | **44,000** | - | **44,000** | - |
| **Deferred tax liability (net)** | **-** | - | **-** | - |

The deferred tax asset and liability have been offset in the Group and Company balance sheets as the asset and liability arose in the same tax jurisdiction and there is a legally enforceable right of offset.

The gross movement on the deferred tax account is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| **Deferred tax liabilities** | **£** | £ | **£** | £ |
| At 1 January | **-** | - | **-** | - |
| Income statement credit (note 22) | **(44,000)** | - | **(44,000)** | - |
| Tax charge relating to components of other comprehensive income (note 22) | 44,000 | - | 44,000 | - |
| At 31 December | **-** | - | **-** | - |

The movement in the deferred tax liability during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

## NOTES TO THE FINANCIAL STATEMENTS
## For the year ended 31 December 2010

### 15. Deferred income tax (continued)

| Deferred tax liabilities | Group<br>Fair value gains<br>£ | Company<br>Fair value gains<br>£ |
|---|---|---|
| At 1 January 2009 and 31 December 2009 | - | - |
| Charged to other comprehensive income | **44,000** | 44,000 |
| At 31 December 2010 | **44,000** | 44,000 |

| Deferred tax assets | Group<br>Tax losses<br>£ | Company<br>Tax losses<br>£ |
|---|---|---|
| At 1 January 2009 and 31 December 2009 | | |
| Credited to the income statement | (44,000) | (44,000) |
| At 31 December 2010 | (44,000) | (44,000) |

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. A deferred tax asset of £44,000 has been recognised in respect of capital losses that would be available to offset against the taxable gain arising on the revaluation of available-for-sale financial assets.

The Group has additional capital losses of approximately £220,000 (2009: £440,000) and other losses of approximately £1,484,293 (2009: £1,395,518) available to carry forward against future taxable profits. No deferred tax asset has been recognised in respect of these tax losses because of uncertainty over the timing of future taxable profits against which the losses may be offset.

### 16. Share Capital

### Authorised

| 2010 | Number | £ |
|---|---|---|
| **Authorised** | | |
| Ordinary shares of 0.7 p each | 2,000,000,000 | 14,000,000 |

| 2009 | Number | £ |
|---|---|---|
| Authorised | | |
| Ordinary shares of 0.07 p each | 20,000,000,000 | 14,000,000 |

There has been no movement in the authorised share capital during the year.

On 6 May 2010 the Company consolidated its share capital on the basis of 1 new ordinary share for every 10 existing ordinary shares. This consolidation of shares was approved at the Company's Annual General Meeting on 7 May 2010.

## NOTES TO THE FINANCIAL STATEMENTS
## For the year ended 31 December 2010

### 16. Share Capital (continued)

### Issued – Group and Company

| | Number of shares | Ordinary shares £ | Share premium £ | Total £ |
|---|---|---|---|---|
| **Issued and fully paid** | | | | |
| At 1 January 2009 | 280,207,901 | 196,146 | 2,755,170 | 2,951,316 |
| Issue of new shares – 28 August 2009 | 657,523,869 | 460,266 | 252,406 | 712,672 |
| At 31 December 2009 | 937,731,770 | 656,412 | 3,007,576 | 3,663,988 |
| Issue of new shares – 27 January 2010 | 30,000,000 | 21,000 | 69,000 | 90,000 |
| Issue of new shares – 31 March 2010 | 52,187,500 | 36,531 | 130,469 | 167,000 |
| Consolidation of share capital -6 May 2010 | (917,927,337) | - | - | - |
| Issue of new shares – 22 October 2010 | 21,777,778 | 152,444 | 337,556 | 490,000 |
| Issue of new shares – 21 December 2010(1) | 59,433,697 | 416,036 | 1,502,231 | 1,918,267 |
| **At 31 December 2010** | **183,203,408** | **1,282,423** | **5,046,832** | **6,329,255** |
| **Issued and unpaid** | | | | |
| At 1 January and 31 December 2009 | **-** | **-** | **-** | **-** |
| Issue of new shares – 31 March 2010 | 937,500 | **656** | **2,344** | **3,000** |
| Consolidation of share capital – 6 May 2010 | (843,750) | **-** | **-** | **-** |
| Issue of new shares – 21 December 2010(2) | 2,968,628 | **20,781** | **75,034** | **95,815** |
| **At 31 December 2010** | **3,062,372** | **21,437** | **77,378** | **98,815** |
| **Issued share capital at 31 December 2009** | 937,731,770 | 656,412 | 3,007,576 | 3,663,988 |
| **Issued share capital at 31 December 2010** | **186,265,780** | **1,303,860** | **5,124,210** | **6,428,070** |

(1) Includes aggregate issue costs of £161,912

(2) Includes issue costs of £8,087

On 27 January 2010 the Company issued 30,000,000 shares of 0.07 pence each fully paid at 0.3 pence per share in consideration for the rights to an exclusivity period. The fair value of these rights was measured with reference to the market value of the shares on the date of issue as there was no available data for the market value of these rights. The share based payment charge of £90,000 has been included within administrative expenses in the income statement.

On 31 March 2010 the Company issued 21,875,000 shares of 0.07 pence each fully paid at 0.32 pence per share to certain professional advisors in settlement of outstanding liabilities for services in relation to project assessment and consulting services.

On 22 October the Company issued 21,777,778 shares to a consultant in settlement of various services provided in relation to exploration and evaluation licences owned by a subsidiary of the Company. The share based payment charge of £490,000, being the fair value measured at market price of the services provided, in relation to these services has been capitalised as part of exploration and evaluation assets.

## NOTES TO THE FINANCIAL STATEMENTS
## For the year ended 31 December 2010

### 17. Share Options and Warrants

Share options and warrants outstanding and exercisable at the end of the year have the following expiry dates and exercise prices:

| | | Shares | |
|---|---|---|---|
| Expiry date | Exercise price in £ per share | **2010** | 2009 |
| 2 August 2011 | 0.020 | | 20,958,712 |
| 28 August 2011 | 0.005 | | 113,931,963 |
| 2 August 2011 | 0.200 | **2,095,871** | - |
| 28 August 2011 | 0.050 | **11,393,196** | - |
| 22 October 2012 | 0.045 | **8,000,000** | - |
| 20 December 2012 | 0.050 | **31,201,162** | - |
| | | **52,690,229** | 134,890,675 |

The options are exercisable starting immediately from the date of grant and lapse on the second or fifth anniversary of the date of grant. The Company and Group have no legal or constructive obligation to settle or repurchase the options in cash.

The fair value of the share options was determined using the Black Scholes valuation model. The parameters used are detailed below:

| | 2010 Warrants | 2010 Options | 2009 Options | 2006 Options |
|---|---|---|---|---|
| Option granted on: | 20/12/2010 | 22/10/2010 | 28/08/2009 | 02/08/2006 |
| Option life (years) | 2 years | 2 years | 2 years | 5 years |
| Share price (pence per share) | 3.90p | 4.65p | 1.60p | 30.00p |
| Risk free rate | 2.31% | 1.88% | 2.69% | 4.6% |
| Expected volatility | 33% | 20% | 52% | 70% |
| Expected dividend yield | - | - | - | - |
| Marketability discount | 20% | 20% | - | 80% |
| Total fair value of options granted (£000) | 108 | 43 | 7 | 175 |

All balances stated in the table above have been adjusted for the share consolidation on 6 May 2010.

The expected volatility is based on historical volatility for the 6 months prior to the date of granting. The risk free rate of return is based on zero yield government bonds for a term consistent with the option life.

A reconciliation of options granted over the year to 31 December 2010 is shown below:

| | **2010** | | 2009 | |
|---|---|---|---|---|
| | **Number** | **Weighted average exercise price (£)** | Number | Weighted average exercise price (£) |
| Outstanding as at 1 January | **134,890,675** | **0.007** | 20,958,712 | 0.020 |
| Adjustment for share consolidation | (121,401,608) | | - | - |
| Outstanding after share consolidation | 13,489,067 | 0.070 | - | - |
| Granted | 39,201,162 | 0.049 | 113,931,963 | 0.005 |
| Outstanding as at 31 December | **52,690,229** | **0.055** | 134,890,675 | 0.007 |
| Exercisable at 31 December | **52,690,229** | **0.055** | 134,890,675 | 0.007 |

As a result of the share consolidation on 6 May 2010 (refer note 16) the Company amended the terms of the outstanding options and warrants. The terms were amended on the basis of 1 new warrant or option for every 10 existing warrants or options previously held with a corresponding change to the exercise price. The consolidation of the warrants and options did not give rise to any adjustment in their fair value.

## NOTES TO THE FINANCIAL STATEMENTS
## For the year ended 31 December 2010

### 17. Share Options and Warrants (continued)

| Range of exercise prices (£) | **2010** Weighted average exercise price (£) | **2010** Number of shares | **2010** Weighted average remaining life expected (years) | **2010** Weighted average remaining life contracted (years) | 2009 Weighted average exercise price (£) | 2009 Number of shares | 2009 Weighted average remaining life expected (years) | 2009 Weighted average remaining life contracted (years) |
|---|---|---|---|---|---|---|---|---|
| 0 – 0.01 | **-** | **-** | **-** | **-** | 0.005 | 113,931,963 | 1.66 | 1.66 |
| 0.01 – 0.02 | **-** | **-** | **-** | **-** | 0.020 | 20,958,712 | 1.59 | 1.59 |
| 0 – 0.10 | **0.049** | **50,594,358** | **1.65** | **1.65** | - | - | - | - |
| 0.10 – 0.20 | **0.200** | **2,095,871** | **0.59** | **0.59** | - | - | - | - |

No options were exercised during the period. The total fair value has resulted in a charge to the Income Statement for the year ended 31 December 2010 of £43,106 (2009: £1,193) and a charge to share premium of £108,327 (2009: £5,604).

### 18. Loss on dissolution of subsidiary

| | **Group 2010 £** | Group 2009 £ |
|---|---|---|
| Loss on dissolution of subsidiary | (52,558) | - |

On 24 January 2010 the Company's wholly owned subsidiary Oreion Australia Energy Pty Ltd was deregistered and dissolved. Net exchange losses of £52,106 recorded in equity prior to the date of disposal have been reclassified in the income statement as part of the loss on disposal.

### 19. Employees

The Company had no full time employees during the year. The Directors and Company Secretary provided professional services as required on a part-time basis. Details of Directors' fees are disclosed in Note 20.

### 20. Directors' Remuneration

| | **Directors' Fees 2010 £** | Directors' Fees 2009 £ | **Options Issued 2010 £** | Options Issued 2009 £ |
|---|---|---|---|---|
| **Non-executive Directors** | | | | |
| Toby Howell | **24,000** | 12,000 | - | - |
| Malcolm James | **24,000** | 8,000 | - | - |
| Damian Conboy | **24,000** | 8,774 | **32,330** | 895 |
| | **72,000** | 28,774 | **32,330** | 895 |

No pension benefits are provided for any Director.

### 21. Finance Income

| | **Group 2010 £** | Group 2009 £ |
|---|---|---|
| Interest received from Bank | **757** | 698 |
| **Net Finance Income** | **757** | 698 |

## 22. Taxation

No charge to taxation arises due to the losses incurred. No deferred tax asset has been recognised on accumulated tax losses, as the recoverability of any assets is not likely in the foreseeable future.

| **Income tax expense** | **Group 2010 £** | **2009 £** |
|---|---|---|
| Analysis of tax charge | | |
| Current tax charge for the year | - | - |
| Deferred tax (credit) for the year | (44,000) | - |
| Tax on loss for the year | (44,000) | - |

| | **Group 2010 £** | 2009 £ |
|---|---|---|
| Loss before tax | **(655,806)** | (213,750) |
| Tax at the applicable rate of 28% (2009: 28.25%) | **(183,626)** | (60,385) |
| Effects of: | | |
| Expenditure not deductible for tax | **94,697** | |
| Net tax effect of losses carried forward | **88,929** | 60,385 |
| Tax charge | **-** | - |

Due to changes in UK tax legislation the applicable tax rate has changes from 28.25% to 28%.

The tax charge relating to components of other comprehensive income is as follows:

| | **2010 Before tax £** | **2010 Tax charge £** | **2010 After tax £** | 2009 Before tax £ | 2009 Tax charge £ | 2009 After tax £ |
|---|---|---|---|---|---|---|
| Available-for-sale financial assets (note 11) | **220,000** | **(44,000)** | **(176,000)** | - | - | - |
| Other comprehensive income | **220,000** | **(44,000)** | **(176,000)** | - | - | - |
| Current tax | | - | | | - | |
| Deferred tax (note 15) | | (44,000) | | | - | |

The deferred tax charge has been estimated at a rate of 20% of the fair value gain on available-for-sale financial assets, representing the tax rate that is expected to apply to the period when the temporary difference reverses and was substantively enacted at the balance sheet date.

## 23. Loss per Share

The calculation of the total basic loss per share of 0.580 pence (2009: loss of 0.421 pence) is based on the loss attributable to ordinary shareholders of £611,806 (2009: £213,750) and on the weighted average number of ordinary shares of 105,333,000 (2009: 50,718,874) in issue during the period. The calculation of the basic loss per share from continuing operations of 0.531 pence (2009: loss of 0.410 pence) is based on the loss attributable to ordinary shareholders from continuing operations of £559,248 (2009: £207,840). The basic loss per share from discontinued operations of 0.049 pence (2009: loss of 0.011 pence) is based on the loss attributable to ordinary shareholders from discontinued operations of £52,558 (2009: £5,910).

The weighted average number of shares in issue and associated loss per share have been restated for all periods due to the consolidation of the Company's share capital detailed in note 16. The consolidation of share capital was an adjustment to the number of ordinary shares in issue without a corresponding change in the Company's resources. Consequently, in accordance with IAS 33, the shares are treated as if the conversion took place at the beginning of the earliest period stated.

### 23. Loss per Share (continued)

In accordance with IAS 33, basic and diluted earnings per share are identical as the effect of the exercise of share options would be to decrease the loss per share. Details of share options that could potentially dilute earnings per share in future periods are set out in Note 17.

The Company is committed to the issuance of ordinary shares to a consultant should certain conditions be met in future periods. The issuance of these ordinary shares could potentially dilute earnings per share. Further details of this arrangement are set out in note 25.

### 24 Expenses by nature

| Group | 2010 £ | 2009 £ |
|---|---|---|
| Directors' fees | 72,000 | 28,774 |
| Exploration and project assessment costs expensed | 152,123 | - |
| Aborted acquisition costs | 90,000 | - |
| Establishment expenses | 45,187 | 10,464 |
| Loss/(gain) on foreign exchange | - | |
| Share option expenses | 43,106 | 1,193 |
| Loss on disposal of subsidiary | 52,558 | - |
| Other expenses | 201,589 | 174,017 |
| Total operating expenses | 656,563 | 214,448 |

### 25 Commitments

*(a) Licence agreements*

On 23 November 2010 the Group acquired three gold exploration licences, and on 13 December 2010 two uranium exploration licences in Mauritania. These licences are for a period of 3 years from the date of grant and include commitments to pay annual land royalty fees in the second and third year and adhere to minimum spend requirements.

At the end of the licence period the Group have the right to renew the licence or, if a defined resource has been established, apply for a mining licence for the target area. Upon grant of any mining licence the Mauritanian Government will receive a 10% shareholding of the rights and benefits of the licence area. The Mauritanian Government also has the option to purchase an additional 10% of the rights and benefits at the market rate upon granting of the mining licence.

At 31 December 2010 the future aggregate minimum royalty fee payments and minimum spend requirements are as follows:

| Group | Land royalty fees £ | Minimum spend requirement £ | Total £ |
|---|---|---|---|
| Not later than one year | - | 123,672 | 123,672 |
| Later than one year and no later than five years | 65,960 | 2,715,606 | 2,781,566 |
| Total | 65,960 | 2,839,278 | 2,905,238 |

*(b) Bank guarantees*

The Group has provided bank guarantees as security for the minimum spend requirements on the Mauritanian exploration licences. The guarantees are not released until the end of the licence period. The balance held via bank guarantee at 31 December 2010 is £21,464 (31 December 2009: £Nil) and is included within restricted assets (note 10).

**25 Commitments (continued)**

*(c) Capital commitments*

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

| Group | 2010<br>£ | 2009<br>£ |
|---|---|---|
| Intangible assets | 490,000 | - |

The Group has entered into a contractual arrangement with O'Connor International Limited ("OCI") for consultancy work on the Mauritanian licence areas acquired during the year. An amount of £130,000 for each gold licence and £50,000 for each uranium licence, £490,000 in aggregate, remains committed under this contract. The payment of this fee is contingent on the issuance of a feasibility study indicating economic feasibility for the relevant licence area. These amounts are to be paid via the issuance of shares in the Company and will become payable on the date the relevant feasibility study is issued.

*(d) Royalty agreements*

As part of the contractual arrangement with OCI noted above, the Group has agreed to pay OCI a royalty on revenue for each gold licence acquired based on the total ounces of gold sold equal to US$1 for every US$250 of the sale price per ounce. The Group has also agreed to pay OCI a royalty on revenue for each uranium licence acquired based on US$0.4 for every pound of Uranium sold.

These royalties will become payable when the licence areas move into production and resources are sold from any of these areas.

*(e) Operating lease commitments*

The Group leases office premises under a non-cancellable operating lease agreement. The lease is on an annual contract renewable at the end of the lease period at market rate. The lease is cancellable by either party at 6 months notice. The lease expenditure charged to the income statement during the year is disclosed in note 6.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| Group | 2010<br>£ | 2009<br>£ |
|---|---|---|
| Not later than one year | 18,000 | - |

## 26. Related Party Transactions

**Investment in Charles Street Capital plc**

On 15 July 2010 the Company subscribed for 100,000,000 shares in Charles Street Capital plc ("CSC") at a subscription price of 0.1 pence per share. The purchase was satisfied by total cash consideration of £100,000. As a result of the transaction the Company holds a 9.73% shareholding in CSC.

The shares in CSC have been classified as an available-for-sale financial asset in the Group and Company financial statements. In accordance with IAS 39 the investment in CHC was re-valued to its fair value at 31 December 2010. This resulted in a gain of £220,000 which has been recognised in other comprehensive income.

Damian Conboy, a director of the Company is also a director of Charles Street Capital plc.

## 26. Related Party Transactions (continued)

**Consultancy agreement with O'Connor International Limited**

O'Connor International Limited ("OCI") is a company controlled by John O'Connor, a significant shareholder of the Company. During the year the Company entered into various agreements with OCI for the provision of consultancy services and licence application fees. The total value of consulting services charged to the Group by OCI during the year was £756,897 (2009: £Nil). Licence application fees incurred during the year amounted to £66,331 (2009: £Nil).

The Company paid £490,000 of consultancy fees incurred during the year through the issuance of 21,777,778 shares at an issue price of 2.25 pence per share being the fair value of the services provided. The balance outstanding with OCI at 31 December 2010 in relation to fees payable in cash was £53,764 (2009: £Nil).

In addition to the consultancy fees paid during the year the Group is also committed to payments in future periods under the terms of the consultancy agreement. Details of these commitments are disclosed in note 25 of these financial statements.

**Loans to Group undertakings**

As at 31 December 2010 there are amounts receivable of £805,328 (31 December 2009: £Nil) due from Alecto Holdings International Limited (Mauritania) to the Company and amounts receivable of £2,314 (31 December 2009: £Nil) due from Alecto Holdings International Limited (BVI). These amounts are is interest free and repayable in Sterling when sufficient cash resources are available in the subsidiaries.

All Group transactions were eliminated on consolidation.

### Other transactions

Exchange Minerals plc, a company of which Damian Conboy is a Director, charged rental fees to the Group for the rental of office space and various office administration services used by the Parent Company. The total fees charged during the year ended 31 December 2010 amounted to £45,954 (31 December 2009: £Nil).

## 27. Ultimate Controlling Party

The Directors believe there to be no ultimate controlling party.

## 28. Events after the Balance Sheet Date

On 7 January 2011 the Company received a payment of £103,902 in full settlement for 62,402,325 ordinary shares that were outstanding and unpaid at 31 December 2010. In March 2011 the Company received payments totalling £3,000 in full settlement of the remaining unpaid share capital that was outstanding at 31 December 2010(refer note 12).

On 22 February the Company created a subsidiary in Mauritania, Alecto Mauritania Limited. On the same date the assets and liabilities of Alecto Holdings International Limited (Mauritania), including the intragroup loan referred to in note 26, were transferred to Alecto Mauritania Limited. Alecto Holdings International Limited (Mauritania) is in the process of being dissolved.