Registered number: 05315922

ALECTO MINERALS PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2012

ALECTO MINERALS PLC

CONTENTS

ALECTO MINERALS PLC

COMPANY INFORMATION

Directors	Michael Johnson (Non-Executive Chairman) (appointed 4 April 2013) Damian Conboy (Executive Director) Michael Ware (Part-Time Executive Director) Toby Howell (Non-Executive Director) Malcolm James (resigned 4 April 2013)
Company Secretary	John Bottomley
Registered Office	One America Square Crosswall London EC3N 2SG
Company Number	05315922
Bankers	HSBC Bank plc 129 New Bond Street London W1J 2JA
Nominated Adviser & Joint Broker	Fox-Davies Capital Limited 1 Tudor Street London EC4Y 0AH
Broker	XCap Securities 24 Cornhill London EC3V 3ND
Independent Auditor	Littlejohn LLP Statutory Auditor 1 Westferry Circus Canary Wharf London E14 4HD
Solicitors	Kerman & Co LLP 200 Strand London WC2R 1DJ

ALECTO MINERALS PLC

CHAIRMAN'S REPORT

In my first statement since joining the Alecto Board in April 2013 I welcome the opportunity to report solid progress on all fronts and I am truly excited about the future potential of the Company, its Ethiopian gold properties and Mauritanian iron oxide copper gold ('IOCG') assets.

Activities have primarily focussed on adding value to the portfolio, prioritising future exploration targets and pursuing strategic partnerships to solidify our position and underpin the value of the portfolio. To this end I believe we have made progress on all fronts particularly in Ethiopia where our work and extensive land position has attracted Centamin plc ('Centamin'), the Arabian-Nubian Shield mining company, listed in the FTSE 250, to sign a non-binding Heads of Terms agreement to form a strategic alliance in relation to a proposed joint venture between the two companies ('Joint Venture').

The alliance will allow both companies to evaluate, and potentially pursue together, opportunities offered by certain mining projects identified within the Federal Democratic Republic of Ethiopia, which is rapidly emerging as a highly prospective gold destination. It is intended that a formal joint venture agreement will be entered into between Centamin and Alecto in due course. Importantly, the Wayu Boda Gold Project ('Wayu Boda') has already been designated as a Joint Venture Project and if the JV Agreement is signed, Centamin will commit US$1.8m over the initial expenditure commitment and a further US$6m if they elect to implement the second expenditure commitment in order to earn a 51% and 70% interest respectively. This would be transformational for the project and with the possibility that the Aysid-Metekel Gold Project ('Aysid-Metekel') will be designated as well, we look forward to updating shareholders regarding our on-going relationship with Centamin at the appropriate time.

Importantly, as part of the proposed strategic relationship, Centamin has agreed to subscribe for 15,625,000 new ordinary shares in the capital of Alecto, at 1.6 pence per share, being, in aggregate, a total consideration of £250,000.

Ethiopia

Alecto has significant exposure to two highly prospective gold licences in Ethiopia, a country widely recognised as an exciting and underexplored area in terms of its gold and base metal potential. The 945.5 sq km Wayu Boda Project ('Wayu Boda') is located in the highly prospective central-southern Adola greenstone belt in southern Ethiopia, and the 1,953 sq km Aysid-Metekel exploration licence is in north western Ethiopia.

Wayu Boda

Wayu Boda underwent its first systematic exploration campaign during 2012, which involved trenching, geophysics, and geological mapping. Artisanal workings are extensive in the northern 15% of the licence area, occurring in three locations along a 2km strike. Consequently, this area was targeted for primary exploration. Notably, with grades of up to 47.4 g/t of gold reported from rock chip sampling, our preliminary campaign was positive in terms of increasing our knowledge of the mineralisation. Artisanal miners target quartz vein swarms and larger individual quartz veins hosted in metavolcanics, and occasionally the host rock itself.

The Project is 24km south of the privately owned National Mining Corporations 'Dawa' discovery which has recently undergone a primary economic assessment by independent consultants Venmyn and is reported to contain reserves of over 17Moz of gold (Addis Fortune. 2012).

14 trenches for a total of 928m of excavation were dug and 853 samples taken. Although we gained useful information related to both the structural and intrusive related controls on mineralisation, the trenching was somewhat hindered by more widespread artisanal working than envisaged, which led to trenches encountering in-filled, worked out areas where no samples were taken. Highlights from the campaign include:

- WBCT004: 14m @ 0.4 g/t Au including 3.6m @ 1.5g/t Au
- WBCT001A: 1.3m @ 4.9 g/t Au
- WBNT005: 2m @ 1.1 g/t Au

Although the grade is modest at surface, the high grades recovered from sampling the deeper artisanal working are exciting, and should be investigated further through drilling. The trenching results indicate some sporadic higher grade assay results within a broad, schistose, shear zone that is heavily impregnated with quartz veins and veinlets. Small dumps of schist and quartz from the active artisanal mining, obtained from variable but deeper depths within the field, are possibly indicative of higher grades below surface.

Additionally, a ground magnetic survey was carried out by independent consultants SRK Exploration Ltd, with data processed by Stewart Geophysical Consultants Pty. Ltd. The magnetics demonstrated a complex structural array in the project area, which appears to be dominated by NW and NE trending structures and a northwards trending structure, which is believed to predate the other structures and relate directly to the mineralisation. The magnetic data has led to a greater understanding of structural complexity in the area and can be used to direct future exploration.

Geological mapping of trenches indicates that the main potential for mineralisation may be proximal to granite/schist contacts.

Outside of the focal area of exploration the broader licence area shows moderate but as yet undefined potential and as the mineralisation remains open in both directions, the Company intends to expand its exploration activities in the future, particularly on prospective structures to the north and south. The source of alluvial gold on the eastern side of a dominant ridge in the area has yet to be identified and is unlikely to be the same as the gold worked in the main artisanal areas.

As a JV designated project, Centamin will commit US$1.8 million to earn a 51% stake and accelerate this project, subject to successful completion of a Joint Venture. A further US$6 million will be committed if they elect to implement the Second Expenditure Commitment in order a 70% interest. These funds are envisaged to be used to fund a preliminary scout drilling campaign which if successful will be followed by further drilling to deliver a maiden resource. Further details of the use of funds will be provided on signing of a Joint Venture Agreement.

Aysid-Metekel

Our Aysid-Metekel gold exploration licence is located in a mineral rich region approximately 50km north and north-east respectively from the highly prospective Towchester and Brantham tenements of AIM quoted Nyota Minerals Limited. It is also approximately 80km from the Fiti skarn gold deposit discovered by MIDROC Gold Mine plc.

During the period, the Company conducted in-house technical work, compiling both historic and company data. This work has enabled us to delineate five high priority target areas for follow up work during 2013. The historic data includes 1:250,000 scale geological mapping of the entire licence area with the majority covered by 1:100,000 scale mapping, regional aeromagnetics, 848 steam sediment samples and mineral occurrence mapping. With Alecto's data now integrated, we have successfully built a database of over 1,000 stream sediment samples and 576 soil samples. In addition, Aster imagery was acquired for the entire licence and structural interpretation of this and other satellite imagery indicates the presence of prospective NW trending dextral shear zones within the licence, that are associated with coincident gold in streams and gold in soils anomalies.

The Aysid-Metekel project may be designated as a JV Project subject to further due diligence by the JV Committee. If the project is designated, it has been agreed that Centamin will commit US$1.2 million over the Initial Expenditure Commitment and a further US$5 million if they elect to implement the Second Expenditure Commitment.

Mauritania

The Company has a total land position of 1,828 sq km in the mineral rich Mauritanide belt of Mauritania. The 613 sq km Wad Amour licence is currently considered as the most prospective, and during Q4 2012 we were successful in further demonstrating the potential of the Chiron target through our geophysical and geochemical sampling and trenching programmes. Previous Alecto work at the Chiron target identified anomalous copper values over 800m.

Field and Petrographic work by consultant geologist Peter Pollard, an IOCG specialist and author of several academic papers, confirmed the Chiron target as a "…high priority target for IOCG mineralization similar to that at Guelb Moghrein", which is located 315km to the north-west and produces 17,000 tonnes of concentrate per month.

The Company completed 1,193m of trenching, which produced 1,292 samples for geochemical analysis at ALS Ireland. Trenching highlights include: MTR001 - 93.6m @ 0.11% copper including 1m @ 0.7g/t gold, MTR004 - 54m @ 0.15% copper and MTR007 - 5m @ 0.33% copper. These large low grade intersections are very encouraging and may indicate the possibility for a large tonnage project. From the weathering profile in the region it is anticipated that grades may improve significantly with depth.

Dovetailing with this interpretation, geophysics demonstrated that a major conductivity high lies between two main mineralised ridges at the Chiron target, which is interpreted as possibly resulting from sulphide mineralisation at depth. The anomaly coincides with a strong copper in soils anomaly, surface mineralisation and encouraging intersections in trenching. Also coincident is a WNW trending structure visible in both satellite imagery and ground magnetics. This structure is predicted to relate to the two earliest deformational phases (D1/D2) of the Pan African tectono-thermal event, which are considered to be the most prospective structures in the region, and are the same age as the main conduits for mineralisation at Guelb Moghrein.

With the above in mind, we currently plan to undertake an induced polarisation and drilling campaign as part of the Chiron target's development. Many further targets are present within Alecto's licence in Mauritania that require further follow up, particularly further along strike from the mineralised structures at Chiron. There is also tremendous potential in other unexplored parts of the licence area.

Corporate

Most recently, I was appointed to the Board as Chairman, succeeding Malcolm James who has stepped down to pursue other business interests. I am very pleased to have joined the Company at this exciting time and hope that my extensive experience and broad network of contacts in the mining sector will be highly beneficial to the Company in its forthcoming activities.

CHAIRMAN'S REPORT

In September 2012 we were pleased to welcome Mr. Michael Ware to our Board as part-time Executive Director. As a representative of our cornerstone investor, Mr. Fahad Al-Tamimi, his appointment is aimed at further aligning our working interests. Importantly, Michael has over 30 years of experience in developing exploration, development and production resource assets and we look forward to benefitting from his solid experience going forward.

Financial Review

During the period, the Company successfully raised £1.835 million by way of placing. This included the participation of a new cornerstone investor, Mr. Fahad Al-Tamimi who invested £1,472,500 by way of a placing of 95,000,000 New Ordinary Shares at 1.55p per share. Cornerstone investor Mr. Fahad Al-Tamimi is a highly successful businessman who is the founder and owner of a substantial diversified business group with its head offices in Riyadh, Saudi Arabia. These funds have been used to implement the Company's development programmes in Africa.

The loss before taxation of the Group for the year ended 31 December 2012 amounted to £1,101,495 (31 December 2011: £1,242,121).

The Group's cash position at 31 December 2012 was £848,059 (31 December 2011: £715,153) and this will be used to implement defined exploration programmes in Ethiopia and Mauritania.

Outlook

In summary, this period has been characterised by informative and successful exploration campaigns at both our Ethiopian gold and Mauritanian IOCG assets. Looking ahead, having signed a non-binding Heads of Terms with Centamin, we will focus on progressing this relationship over the coming months and subject to effecting a Joint Venture, to developing our Wayu Boda licence and possibly our Aysid-Metekel licence. Additionally we are also evaluating other corporate opportunities to create value for our shareholders which we hope will come to fruition in the near term.

Finally I would like to take this opportunity to thank our Board, advisers and shareholders for their hard work and support and look forward to keeping them abreast of our developments in the future.

Michael Johnson
Chairman

28 May 2013

ALECTO MINERALS PLC

DIRECTORS' REPORT

The Directors present their Annual Report on the affairs of Alecto Minerals Plc, together with the audited Financial Statements, for the year ended 31 December 2012.

Principal Activity and Business Review

The principal activity of 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 onwards.

Risks and uncertainties are discussed on pages 7 and 8.

Results and Dividends

The loss of the Group for the year ended 31 December 2012 before taxation amounts to £1,101,495 (31 December 2011: £1,242,121).

The Directors do not recommend the payment of a dividend for the year (31 December 2011: £nil).

Directors & Directors' Interests

The Directors who served during the year ended 31 December 2012 are shown in the Company Information on page 2 and had, at that time the following beneficial interests in the shares of the Company:

	31 December 2012		1 January 2012	
	Ordinary Shares	**Options**	**Ordinary Shares**	**Options**
Malcolm James [1] [2]	1,063,099	2,600,000	1,063,099	2,600,000
Toby Howell	427,500	2,300,000	427,500	2,300,000
Damian Conboy	4,000,000	5,500,000	4,000,000	11,500,000
Michael Ware	-	-	-	-

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

(2) Resigned 4 April 2013.

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

On 4 April 2013 Malcolm James resigned as Chairman of the Company and Professor Michael Johnson was appointed as his replacement.

Key Performance Indicators ("KPIs")

The Board monitor the activities and performance of the Group on a regular basis. The Board uses financial indicators based on budget versus actual to assess the performance of the Group. The indicators set out below will continue to be used by the Board to assess performance over the period to 31 December 2013.

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

	2012	**2011**
Cash and cash equivalents	£848,059	£715,153
Administrative expense as a percentage of total assets	25.7%	25.4%
Exploration costs capitalised	£3,359,457	£3,000,920

Cash has been used to fund the Group's operations and facilitate its investment activities (refer to the Consolidated Cash Flow Statement on page 18).

Administrative expenses as a percentage of total assets have decreased from the prior year due primarily to investment write-offs and payments to introducers in the previous period.

Exploration costs capitalised consists of acquisition of exploration assets through business combinations and exploration expenditure on the Group's exploration licences.

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 is 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 of 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 and Ethiopia are the current focus of the Group's activities.

Mauritania 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.

Ethiopia has experienced relative stability within the country in recent years and was the fastest growing non-oil-dependent African economy in the years 2007 and 2008. In terms of risk, relations with neighbouring countries are tense, most notably with Eritrea whom they accuse of supporting Islamist rebels in Somalia. The Group maintains an active dialogue with the Ethiopian government 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 Ethiopia by negotiating all material contracts in British Pounds and ensuring minimal financial assets are kept in the Ethiopian 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.

Funding risk

The Group has raised sufficient funds to enable it to undertake exploration activities on the Mauritanian and Ethiopian licence areas. However, the Mauritanian 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 Mauritanian 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 Group 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 2.3 to the Financial Statements.

Directors' and Officers' Indemnity Insurance

The Group 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.

Events after the Reporting Date

The events after the reporting date are set out in Note 27 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 2012, the Company had an average of 18 days (2011: 10 days) purchases outstanding in trade payables. The Group average was 18 days (2011: 10 days).

DIRECTORS' REPORT

Provision of Information to Auditor

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 auditor is 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 auditor is aware of that information.

Auditor

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

This report was approved by the Board on 28 May 2013 and signed on its behalf.

Damian Conboy
Executive Director

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, 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; and
- 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.

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 Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company, 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.

The Directors confirm that they have complied with the above requirements in preparing the Financial Statements.

CORPORATE GOVERNANCE REPORT

The Board of Directors currently comprises two Executive Directors and two 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 UK Corporate Governance 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 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 Michael Johnson, who replaced 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 the external auditor 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 auditor The Committee keeps under review the cost effectiveness and the independence and objectivity of the external auditor. A formal statement of independence is received from the external auditor each year.

Remuneration Committee

The Remuneration Committee, comprising Michael Johnson, who replaced Malcolm James, and Toby Howell, is responsible for reviewing the performance of the executive Director 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 the 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-listed 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 MINERALS PLC

We have audited the Financial Statements of Alecto Minerals Plc for the year ended 31 December 2012 which comprise the Consolidated and Company Statement of Financial Position, the Consolidated Income Statement, Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, the Consolidated and 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.

Respective responsibilities of Directors and Auditor

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

This report, including the opinions, has been prepared for and only for the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

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. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2012 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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

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

1 Westferry Circus
Canary Wharf
London
E14 4HD

28 May 2013

ALECTO MINERALS PLC

STATEMENT OF FINANCIAL POSITION
As at 31 December 2012 **Company number: 05315922**

	Note	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Non-Current Assets					
Property, plant and equipment	7	**47,859**	8,023	**5,322**	-
Intangible assets	8	**3,241,917**	3,020,492	**-**	-
Investment in subsidiaries	9	**-**	-	**3,314,499**	2,592,715
Restricted assets	10	**36,389**	40,130	**-**	-
Available-for-sale financial assets	11	**50,000**	50,000	**50,000**	50,000
		3,376,165	3,118,645	**3,369,821**	2,642,715
Current Assets					
Trade and other receivables	12	**53,525**	28,879	**43,022**	28,879
Cash and cash equivalents	13	**848,059**	715,153	**831,633**	685,414
		901,584	744,032	**874,655**	714,293
Total Assets		**4,277,749**	3,862,677	**4,244,476**	3,357,008
Current Liabilities					
Trade and other payables	14	**99,249**	983,303	**98,978**	980,368
		99,249	983,303	**98,978**	980,368
Non-current liabilities					
Deferred income tax liabilities	15	**614,780**	614,780	**-**	-
		614,780	614,780	**-**	-
Total Liabilities		**714,029**	1,598,083	**98,978**	980,368
Net Assets		**3,563,720**	2,264,594	**4,145,498**	2,376,640
Equity attributable to the Owners of Parent Company					
Share capital	16	**2,509,388**	1,365,957	**2,509,388**	1,365,957
Share premium	16	**6,717,310**	5,351,686	**6,717,310**	5,351,686
Share option reserve	17	**40,322**	179,086	**40,322**	179,086
Available-for-sale financial asset reserve		**-**	-	**-**	-
Translation reserve		**(121,264)**	(161)	**-**	-
Retained losses		**(5,582,036)**	(4,631,974)	**(5,121,522)**	(4,520,089)
Total Equity		**3,563,720**	2,264,594	**4,145,498**	2,376,640

The Financial Statements were approved and authorised for issue by the Board of Directors on 28 May 2013 and were signed on its behalf by:

Damian Conboy
Executive Director

The Notes on pages 19 to 42 form part of these Financial Statements.

ALECTO MINERALS PLC

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2012

	Note	**2012**	2011
		£	£
Administration expenses		**(1,098,164)**	(979,934)
Write-down of available for sale investments		**-**	(271,000)
(Loss)/gain on foreign exchange		**(5,030)**	6,442
Operating Loss	6	**(1,103,194)**	(1,244,492)
Finance income	20	**1,699**	2,371
Loss Before Income Tax		**(1,101,495)**	(1,242,121)
Income tax expense	21	**-**	(44,000)
Loss for the Year		**(1,101,495)**	(1,286,121)
Attributable to Owners of the Parent		**(1,101,495)**	(1,286,121)
Basic and Diluted Loss Per Share (pence)	22	(0.368) p	(0.648) p

All activities are classed as continuing.

The loss for the Company for the year was £752,866 (31 December 2011: £1,174,237).

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.

The Notes on pages 19 to 42 form part of these Financial Statements.

ALECTO MINERALS PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	Note	**2012**	2011
		£	£
Loss for the year		**(1,101,495)**	(1,286,121)
Other Comprehensive Income:			
Currency translation differences		**(121,103)**	19,587
Total Comprehensive Income for the Year Attributable to Owners of the Parent, net of tax		**(1,222,598)**	(1,266,534)

The Notes on pages 19 to 42 form part of these Financial Statements.

ALECTO MINERALS PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2012

	Attributable to owners of the parent						
	Share capital £	Share premium £	Share option reserve £	Available-for-sale investments £	Translation reserve £	Retained losses £	Total equity £
As at 1 January 2011	**1,303,860**	**5,124,210**	**333,938**	**176,000**	**(19,748)**	**(3,704,358)**	**3,213,902**
Loss for the year	-	-	-	-	-	(1,286,121)	(1,286,121)
Other comprehensive income							
Currency translation differences	-	-	-	-	19,587	-	19,587
Available-for-sale financial assets (net of tax)	-	-	-	(176,000)	-	176,000	-
Total comprehensive income for the year	**-**	**-**	**-**	**(176,000)**	**19,587**	**(1,110,121)**	**(1,266,534)**
Proceeds from share issue	62,097	267,903	-	-	-	-	330,000
Issue costs	-	(40,427)	-	-	-	-	(40,427)
Expired options	-	-	(182,505)	-	-	182,505	-
Share based payments	-	-	27,653	-	-	-	27,653
Total contributions by and distributions to owners of the Parent, recognised directly in equity	**62,097**	**227,476**	**(154,852)**	**-**	**-**	**182,505**	**317,226**
As at 31 December 2011	**1,365,957**	**5,351,686**	**179,086**	**-**	**(161)**	**(4,631,974)**	**2,264,594**
As at 1 January 2012	**1,365,957**	**5,351,686**	**179,086**	**-**	**(161)**	**(4,631,974)**	**2,264,594**
Loss for the year	-	-	-	-	-	(1,101,495)	(1,101,495)
Other comprehensive income							
Currency translation differences	-	-	-	-	(121,103)	-	(121,103)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(121,103)**	**(1,101,495)**	**(1,222,598)**
Proceeds from share issue	1,143,431	1,474,009	-	-	-	-	2,617,440
Issue costs	-	(108,385)	12,669	-	-	-	(95,716)
Expired options	-	-	(151,433)	-	-	151,433	-
Total contributions by and distributions to owners of the Parent, recognised directly in equity	**1,143,431**	**1,365,624**	**(138,764)**	**-**	**-**	**151,433**	**2,521,724**
As at 31 December 2012	**2,509,388**	**6,717,310**	**40,322**	**-**	**(121,264)**	**(5,582,036)**	**3,563,720**

The Notes on pages 19 to 42 form part of these Financial Statements.

ALECTO MINERALS PLC

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2012

	Attributable to equity shareholders					
	Share capital £	Share premium £	Share option reserve £	Available-for-sale investments £	Retained losses £	Total equity £
As at 1 January 2011	**1,303,860**	**5,124,210**	**333,938**	**176,000**	**(3,704,357)**	**3,233,651**
Loss for the year	-	-	-	-	(1,174,237)	(1,174,237)
Other comprehensive income						
Available-for-sale financial assets (net of tax)	-	-	-	(176,000)	176,000	-
Total comprehensive income for the year	**-**	**-**	**-**	**(176,000)**	**(998,237)**	**(1,174,237)**
Proceeds from share issue	62,097	267,903	-	-	-	330,000
Issue costs	-	(40,427)	-	-	-	(40,427)
Expired options	-	-	(182,505)	-	182,505	-
Share based payments	-	-	27,653	-	-	27,653
Transaction with owners	**62,097**	**227,476**	**(154,852)**	**-**	**182,505**	**317,226**
As at 31 December 2011	**1,365,957**	**5,351,686**	**179,086**	**-**	**(4,520,089)**	**2,376,640**
As at 1 January 2012	**1,365,957**	**5,351,686**	**179,086**	**-**	**(4,520,089)**	**2,376,640**
Loss for the year	-	-	-	-	(752,866)	(752,866)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(752,866)**	**(752,866)**
Proceeds from share issue	1,143,431	1,474,009	-	-	-	2,617,440
Issue costs	-	(108,385)	12,669	-	-	(95,716)
Expired options	-	-	(151,433)	-	151,433	-
Transaction with owners	**1,143,431**	**1,365,624**	**(138,764)**	**-**	**151,433**	**2,521,724**
As at 31 December 2012	**2,509,388**	**6,717,310**	**40,322**	**-**	**(5,121,522)**	**4,145,498**

The Notes on pages 19 to 42 form part of these Financial Statements.

ALECTO MINERALS PLC

CASH FLOW STATEMENTS
For the year ended 31 December 2012

		Group		Company	
		2012	2011	**2012**	2011
	Note	**£**	£	**£**	£
Cash flows from operating activities					
Loss before taxation		**(1,101,495)**	(1,242,121)	**(752,866)**	(1,130,237)
Adjustments for:					
Interest received		**(1,699)**	(2,371)	**(1,699)**	(2,371)
Depreciation and amortisation		**6,963**	1,925	**1,830**	-
Impairment of exploration assets		**137,111**	-	**-**	-
Share options expense		**-**	27,653	**-**	27,653
Introducer fees		**(12,960)**	60,000	**(12,960)**	60,000
Investment write-off		**-**	271,000	**-**	271,000
Increase in trade and other receivables		**(24,645)**	(7,006)	**(14,143)**	(7,006)
Increase in trade and other payables		**39,944**	30,464	**42,612**	29,590
Foreign exchange		**6,336**	19,587	**-**	-
Net cash used in operations		**(950,445)**	(840,869)	**(737,226)**	(751,371)
Cash flows from investing activities					
Interest received		**1,699**	2,371	**1,699**	2,371
Purchase of restricted assets		**-**	(18,666)	**-**	-
Acquisition of subsidiaries (net of cash acquired)		**(129,600)**	(129,791)	**(129,600)**	(200,000)
Loans granted to subsidiary undertakings		**-**	-	**(721,784)**	(445,073)
Purchase of intangible assets		**(485,977)**	(367,432)	**-**	-
Purchase of property, plant and equipment	7	**(46,799)**	(9,948)	**(7,153)**	-
Net cash used in investing activities		**(660,677)**	(523,466)	**(856,838)**	(642,702)
Cash flows from financing activities					
Proceeds from issue of share capital		**1,836,000**	104,902	**1,836,000**	104,902
Transaction costs of share issue		**(95,717)**	(40,426)	**(95,717)**	(40,426)
Net cash generated from financing activities		**1,740,283**	64,476	**1,740,283**	64,476
Net increase/(decrease) in cash and cash equivalents		**129,161**	(1,299,859)	**146,219**	(1,329,597)
Cash and cash equivalents at beginning of year		**715,153**	2,015,012	**685,414**	2,015,011
Exchange gains on cash and cash equivalents		**3,745**	-	**-**	-
Cash and cash equivalents at end of year	13	**848,059**	715,153	**831,633**	685,414

Major non-cash transactions

On 6 March 2012 the Company issued 17,751,480 and 11,337,017 ordinary shares of 0.7 pence each fully paid at 1.69 and 1.81 pence per share respectively, as consideration for business acquisitions during the previous period. On the same date the Company issued 1,775,148 and 1,133,701 ordinary shares of 0.7 pence each fully paid at 1.69 and 1.81 pence per share respectively, in settlement of certain introducer fees in relation to the acquisitions.

On 21 May 2012 the Company issued 38,000,000 warrants exercisable for two years from the date of grant at a price of 3.1 pence. On 7 June 2012 the Company issued a further 9,380,645 warrants exercisable for two years from the date of grant at a price of 3.1 pence.

On 16 July 2012 the Company issued 11,725,715 ordinary shares of 0.7 pence each fully paid at 1.75 pence per share as consideration for business acquisitions during the previous year. On the same date the Company issued 1,172,571 ordinary shares of 0.7 pence each fully paid at 1.75 pence per share in settlement of certain introducer fees in relation to the acquisition.

On 8 October 2012 the Company issued 5,922,581 warrants exercisable for two years from the date of grant at a price of 1.55 pence.

At 31 December 2012, £25,085 of exploration and evaluation additions remained outstanding and unpaid.

The Notes on pages 19 to 42 form part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

1. General information

The principal activity of Alecto Minerals 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 One America Square, Crosswall, London EC3N 2SG.

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 Group Financial Statements have been prepared in accordance International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), the Companies Act 2006 that applies to companies reporting under IFRS and IFRIC interpretations. The Group 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 UK Pound Sterling rounded to the nearest pound.

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 Basis of Consolidation

The Group Financial Statements consolidate the Financial Statements of Alecto Minerals Plc and the audited management accounts of all of its subsidiary undertakings made up to 31 December 2012.

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.

2.3 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 pages 3. In addition, Notes 3 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 committed expenditure over the next 12 months, and are confident that additional funding will be forthcoming to continue its current exploration programme as well as additional works.

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.

2.4 New and Amended Standards

(a) New and amended standards and interpretations mandatory for the first time for the financial year beginning 1 January 2012 and relevant to the Group.

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Company or Group.

(b) New and amended standards and interpretations mandatory for the first time for the financial year beginning 1 January 2012 but not currently relevant to the Group.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2012, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company or Group.

Amendments to IFRS 1, 'First time adoption' on fixed dates and hyperinflation. The first amendment replaces 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. The second amendment provides 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.

IFRS 7, 'Financial instruments: Disclosures' was amended in October 2012 for the transfer of financial assets. These amendments are as part of the IASB's comprehensive review of off Statement of Financial Position activities. The amendments promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial asset.

Amendments to IAS 12, 'Income Taxes' on deferred tax. Currently IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'income taxes – recovery of revalued non-depreciable assets', would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn.

(c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not early adopted.

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the financial statements are disclosed below. The Company and Group intend to adopt these standards, if applicable, when they become effective. Unless otherwise stated, the Directors are assessing the possible impact of the following on the Financial Statements:

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 19, 'Employee benefits', was amended in June 2011. The amendments eliminate the option to defer the recognition of gains and losses, known as the "corridor method"; streamline the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring re-measurements to be presented in other comprehensive income; and enhance the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans. The amendment becomes effective for annual periods beginning on or after 1 January 2013. The amendment has no impact on the Group.

Amendment to IFRS 1, 'First-time Adoption of International Financial Reporting Standards' on government loans. This amendment addresses how first-time adopters would account for a government loan with a below-market rate of interest when transitioning to IFRS. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first time adopters granted to existing preparers of IFRS Financial Statements when the requirement was incorporated into IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance' in 2008. The amendment is effective for the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU. The amendment has no impact on the Group.

IFRS 7, 'Financial Instruments: Disclosures' was amended for asset and liability offsetting. This amendment requires disclosure of information that will enable users of financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The amendment is effective for the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU.

IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.

IFRS 11, 'Joint Arrangements' provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangement; joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint venture has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group is yet to assess IFRS 11's full impact and intends to adopt IFRS 11 no later than the accounting period beginning on or after 1 January 2013.

IFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in entities, including joint arrangements, associates, special purpose vehicles and other off Statement of Financial Position vehicles. The Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

Amendments to IFRS 10, 'Consolidated Financial Statements', IFRS 11, 'Joint Arrangements and IFRS 12, 'Disclosure of Interests in Other Entities', provide additional transition relief to IFRSs 10,11 and 12 by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied. The Group is yet to assess the full impact of these amendments and intends to adopt the amended standards no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU.

IFRS 13, 'Fair value measurement', aims to provide consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards with IFRSs or US GAAP. The standard becomes effective for annual periods beginning on or after 1 January 2013.

IAS 27, 'Separate Financial Statements', replaces the current version of IAS 27, 'Consolidated and Separate Financial Statements' as a result of the issue of IFRS 10. The revised standard includes the requirements relating to separate financial statements. The revised standard becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28, 'Investments in Associates and Joint Ventures', replaces the current version of IAS 28,'Investments in Associates', as a result of the issue of IFRS 11. The revised standard includes the requirements for associates and joint ventures that have to be equity accounted following the issue of IFRS 1. The Group is yet to assess full impact of the revised standard and intends to adopt IAS 28 (revised) no later than the accounting period beginning on or after 1 January 2013.

IFRIC 20, 'Stripping Costs in the Production Phase of a Surface Mine', clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The interpretation may require the Group to write off existing stripping assets to opening retained earnings if the assets cannot be attributed to an identifiable component of an ore body. The Group is yet to assess IFRIC 20's full impact and intends to adopt IFRIC 20 no later than the accounting period beginning on or after 1 January 2013.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics for the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015, subject to endorsement by the EU. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

Amendments to IAS 32, 'Financial Instruments: Presentation', add application guidance to address inconsistencies identified in applying some of the criteria when offsetting financial assets and financial liabilities. This includes clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. The Group is yet to assess the full impact of the amendments to IAS 32 and intends to adopt the amended standard no later than the accounting period beginning on or after 1 January 2014.

'Annual Improvements 2009 – 2011 Cycle' sets out amendments to various IFRSs as follows:

- An amendment to IFRS 1, 'First-time Adoption' clarifies whether an entity may apply IFRS 1:
  - (a) if the entity meets the criteria for applying IFRS 1 and has applied IFRS 1 in a previous reporting period; or
  - (b) if the entity meets the criteria for applying IFRS 1 and has applied IFRSs in a previous reporting period when IFRS 1 did not exist.
- The amendment to IFRS 1 also addresses the transitional provisions for borrowing costs relating to qualifying assets for which the commencement date for capitalization was before the date of transition to IFRSs.
- An amendment to IAS 1, 'Presentation of Financial Statements' clarifies the requirements for providing comparative information:
  - (a) for the opening Statement of Financial Position when an entity changes accounting policies, or makes retrospective restatements or reclassifications; and
  - (b) when an entity provides Financial Statements beyond the minimum comparative information requirements.
- An amendment to IAS 16, 'Property, Plant and Equipment' addresses a perceived inconsistency in the classification requirements for servicing equipment.
- An amendment to IAS 32, 'Financial Instruments: Presentation' addresses perceived inconsistencies between IAS 12, 'Income Taxes' and IAS 32 with regard to recognizing the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction.
- An amendment to IAS 34, 'Interim Financial Reporting' clarifies the requirements on segment information for total assets and liabilities for each reportable segment.

The Group intends to adopt the amended standards no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU. These improvements are not expected to have an impact on the Group.

Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 "Separate Financial Statements" define an investment entity and introduce an exception to consolidating particular subsidiaries for investment entities. These amendments require an investment entity to measure those subsidiaries at fair value through profit or loss in accordance with IFRS 9, 'Financial Instruments', in its consolidated and separate financial statements. The amendments also introduce new disclosure requirements for investment entities in IFRS 12 and IAS 27. This amendment applies to annual periods beginning on or after 1 January 2014].

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 Pound 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 currency of Ethiopia is the Ethiopian Birr, therefore the functional currency of the Ethiopian subsidiaries. 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 Statement of Comprehensive Income.

(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 Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position sheet;

- income and expenses for each Statement of Comprehensive Income 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 Statement of Comprehensive Income as part of the gain or loss on sale.

2.7 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Company's interest in the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Exploration and evaluation

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 annually for impairment. 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 Statement of Comprehensive Income.

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:

Field equipment – 20% straight line
Motor vehicles – 20% straight line
Computer equipment – 20-50% 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 Statement of Comprehensive Income.

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 Statement of Financial Position 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 Statement of Financial Position.

(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

Financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the assets 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 Statement of Comprehensive Income as "gains and losses from investment securities."

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

Impairment of financial assets

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;
- 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; or
- for assets classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost.

(i) Assets carried at amortised cost

The amount of impairment 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 Statement of Comprehensive Income. 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 Statement of Comprehensive Income.

(ii) Assets classified as available-for-sale

The cumulative impairment 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 Statement of Comprehensive Income – is removed from equity and recognised in the Statement of Comprehensive Income.

2.11 Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand, and are subject to an insignificant risk of changes in value.

2.12 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.

2.13 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 third party suppliers' services received in exchange for the grant of the options is recognised as an expense in the Statement of Comprehensive Income or charged to equity depending on the nature of the service provided. The value of the employee services received is expensed in the Statement of Comprehensive Income and its value 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 Statement of Comprehensive Income 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.

2.14 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. 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.

2.15 Taxation

The tax credit or expense for the period comprises movement in deferred tax. Tax is recognised in the Statement of Comprehensive Income, 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.

2.16 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 foreign currency 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 risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro, Ethiopian Birr, Mauritanian Ouguiya and the British 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 subsidiaries in either British Pounds or Euros which in the Directors' opinion are more stable than the respective local currencies. The Group also holds minimal liquid assets in Mauritanian Ouguiya and Ethiopian Birr. 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 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.

	2012		**2011**	
Index	**Impact on post tax losses £**	**Impact on other comprehensive income £**	**Impact on post tax losses £**	**Impact on other comprehensive income £**
AIM	5,000	-	5,000	-

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.

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 enable the Group to continue its exploration and evaluation activities. The Group has no debt at 31 December 2012 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).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's assets that are measured at fair value. The Group does not have any liabilities measured at fair value.

	2012			2011		
	Level 1	**Level 3**	**Total**	**Level 1**	**Level 3**	**Total**
Assets	**£**	**£**	**£**	**£**	**£**	**£**
Available-for-sale financial assets	50,000	-	50,000	-	50,000	50,000
Total assets	50,000	-	50,000	-	50,000	50,000

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.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The following table presents the changes in Level 1 instruments for the year ended 31 December:

	2012	**2011**
	£	**£**
Opening balance	-	-
Transfers into Level 1	50,000	-
Total assets	50,000	-

The transfer into Level 1 is as a result of the events as described below in Note 4. At 31 December 2012 the Group's listed equity securities held as available-for-sale investments were relisted on AIM, following them being delisted from trade on AIM in the previous year.

The following table presents the changes in Level 3 instruments for the year ended 31 December:

	2012 £	2011 £
Opening balance	50,000	-
Transfers into Level 1	(50,000)	-
Transfers into Level 3	-	320,000
Losses recognised in profit or loss		(270,000)
Total assets	-	50,000

4. Critical Accounting Estimates and Judgements

The preparation of the 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 2012 of £3,222,346 (2011: £3,000,921). Such assets have an indefinite useful life as the Group has a right to renew exploration licences and the asset is only amortised 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 concluded that an adjustment of £137,111 is required and provided against the exploration assets.

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 2012 of £50,000 (2011: £50,000). The Group holds listed equity securities as available-for-sale financial assets.

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 has 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. This is relevant for the year ended 31 December 2011, however in 2012 the company in which the investment is held re-listed on AIM and therefore has been valued at the bid price at the year end as there is an active market available.

NOTES TO THE FINANCIAL STATEMENTS
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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.

5. Segment 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 the Group had interests in three geographical segments; the United Kingdom, Mauritania and Ethiopia. Activities in the UK are mainly administrative in nature whilst the activities in Ethiopia and Mauritania relate to exploration and evaluation work.

The Group had no turnover during the year.

2012	**Ethiopia** £	**Mauritania** £	**UK** £	**Intra-segment balances** £	**Total** £
Administrative expenses	(20,747)	(145,126)	(932,291)	-	(1,098,164)
Loss on foreign exchange	(5,027)	-	(3)	-	(5,030)
Loss from operations per reportable segment	(25,774)	(145,126)	(932,294)	-	(1,103,194)
Capital expenditure	275,789	238,675	7,153	11,159	532,776
Reportable segment assets	580,799	1,249,068	4,244,476	(1,796,594)	4,277,749
Reportable segment liabilities	448,717	1,403,968	98,978	(1,237,634)	714,029

2011	**Ethiopia** £	**Mauritania** £	**UK** £	**Intra-segment balances** £	**Total** £
Administrative expenses	(25,070)	(12,106)	(888,207)	-	(925,383)
Write-down of available for sale investments	-	-	(325,551)	-	(325,551)
Gain on foreign exchange	1,886	4,556	-	-	6,442
Loss from operations per reportable segment	(23,184)	(7,550)	(1,213,758)	-	(1,244,492)
Capital expenditure	1,894,642	344,472	-	-	2,239,114
Reportable segment assets	232,112	1,171,338	3,357,008	(897,781)	3,862,677
Reportable segment liabilities	73,935	1,181,717	980,366	(637,935)	1,598,083

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

	2012 £	**2011** £
Loss from operations per reportable segment	(1,103,194)	(1,244,492)
Finance income	1,699	2,371
Loss for the year before taxation	**(1,101,495)**	**(1,242,121)**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

6. Operating Loss

The operating loss is stated after charging:

	Group	
	2012	2011
	£	£
Depreciation	**6,963**	1,925
Impairment of exploration assets	**137,111**	-
Share option costs	**-**	27,653
Operating lease charges	**34,100**	36,000

During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditors and its associates:

	Group	
	2012	2011
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Parent Company and Consolidated Financial Statements	**25,000**	20,000
Fees payable to the Company's auditor and its associates for tax services	**1,000**	1,000

7. Property, Plant and Equipment

	Group				Company
	Field equipment	Vehicles	Computer equipment	Total	Computer equipment
	£	£	£	£	£
Cost					
As at 1 January 2011	-	-	2,101	2,101	2,101
Additions	9,948	-	-	9,948	-
As at 31 December 2011	9,948	-	2,101	12,049	2,101
Additions	7,522	32,124	7,153	46,799	7,153
As at 31 December 2012	**17,470**	**32,124**	**9,254**	**58,848**	**9,254**
Depreciation					
As at 1 January 2011	-	-	2,101	2,101	2,101
Charge for the year	1,925	-	-	1,925	-
As at 31 December 2011	1,925	-	2,101	4,026	2,101
Charge for the year	2,967	2,165	1,831	6,963	1,831
As at 31 December 2012	**4,892**	**2,165**	**3,932**	**10,989**	**3,932**
Net book value					
As at 1 January 2011	-	-	-	-	-
As at 31 December 2011	**8,023**	**-**	**-**	**8,023**	-
As at 31 December 2012	**12,578**	**29,959**	**5,322**	**47,859**	**5,322**

Depreciation expense of £6,963 (2011: £1,925) has been charged in administration expenses.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

8. Intangible Assets

Exploration and evaluation assets are all internally generated.

	Group	
	2012	2011
Exploration & Evaluation Assets - Cost and Net Book Value	**£**	£
At 1 January	**3,000,921**	768,489
Additions	**485,977**	364,166
Acquired through acquisition of subsidiary (at fair value)	**-**	1,865,000
Impairment	**(137,111)**	-
Exchange rate movements	**(127,441)**	3,266
At 31 December	**3,222,346**	3,000,921

	Group	
	2012	2011
Goodwill - Cost and Net Book Value	**£**	£
At 1 January	**19,571**	-
Acquired through acquisition of subsidiary (at fair value)	**-**	19,571
At 31 December	**19,571**	19,571

Exploration projects in Ethiopia and 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 that 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; and
- Sufficient data exists to indicate that the book value will not be fully recovered from future development and production.

An impairment review of exploration and evaluation assets is carried on out an annual basis in order to ensure that it is valued at the lower of cost and recoverable amount. Following their assessment the Directors concluded that an impairment charge of £137,111 was necessary at the year end.

9. Investments in Subsidiary Undertakings

	Company	
	2012	2011
	£	£
Shares in Group Undertakings		
At 1 January	**1,340,001**	1
Additions	**-**	1,340,000
At 31 December	**1,340,001**	1,340,001
Loans to Group undertakings	**1,974,498**	1,252,714
At 31 December	**3,314,499**	2,592,715

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

NOTES TO THE FINANCIAL STATEMENTS
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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 Minerals Plc	Ordinary shares US$1	100%	Dormant
Alecto Guinea Holdings Limited	British Virgin Islands	Alecto Minerals Plc	Ordinary shares US$1	100%	Dormant
Alecto Mauritania Limited	Mauritania	Alecto Holdings International Limited	Ordinary shares MOU 1,000,000	100%	Exploration
Nubian Gold Exploration Limited	United Kingdom	Alecto Minerals Plc	Ordinary shares £100,000	100%	Exploration
Rift Valley Resources Limited	United Kingdom	Alecto Minerals Plc	Ordinary shares £100,000	100%	Exploration

10. Restricted Assets

	Group		Company	
	2012	2011	**2012**	2011
	£	£	**£**	£
Bank guarantees (Note 24(b))	**36,389**	40,130	**-**	-

11. Available-for-Sale Financial Assets

	Group		Company	
	2012	2011	**2012**	2011
	£	£	**£**	£
At 1 January	**50,000**	365,000	**50,000**	365,000
Net losses	**-**	(315,000)	**-**	(315,000)
At 31 December	**50,000**	50,000	**50,000**	50,000
Less: non-current portion	**(50,000)**	(50,000)	**(50,000)**	(50,000)
Current portion	**-**	-	**-**	-

All available-for-sale financial assets are UK listed equity securities denominated in UK Pound.

12. Trade and Other Receivables

	Group		Company	
	2012	2011	**2012**	2011
	£	£	**£**	£
Unpaid share capital	**-**	2,000	**-**	2,000
Prepayments	**14,886**	11,520	**14,886**	11,520
VAT receivable	**19,532**	15,359	**19,532**	15,359
Security deposits	**17,703**	-	**7,200**	-
Other receivables	**1,404**	-	**1,404**	-
	53,525	28,879	**43,022**	28,879

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.

With the exception of a £10,503 security deposit held within the Group and denominated in Ethiopian Birr, 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.

At 31 December 2012 all trade and other receivables were fully performing.

13. Cash and Cash Equivalents

	Group		Company	
	2012	2011	**2012**	2011
	£	£	**£**	£
Cash at bank and in hand	**848,059**	715,153	**831,633**	685,414

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

14. Trade and Other Payables

	Group		Company	
	2012	2011	**2012**	2011
	£	£	**£**	£
Trade payables	**47,135**	32,367	**47,135**	32,367
Other payables	**1**	924,001	**1**	924,001
Accrued expenses	**52,113**	26,935	**51,842**	24,000
	99,249	983,303	**98,978**	980,368

Trade payables include amounts due of £25,085 (2011: £10,610) in relation to exploration and evaluation activities.

15. Deferred tax

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

	Group		Company	
	2012	2011	**2012**	2011
	£	£	**£**	£
Deferred tax liabilities				
- Deferred tax liability to be recovered after more than 12 months	**614,780**	614,780	**-**	-
Deferred tax liability	**614,780**	614,780	**-**	-

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

	Group		Company	
	2012	2011	**2012**	2011
	£	£	**£**	£
At 1 January	**614,780**	-	**-**	-
Income statement charge/(credit) (Note 21)	**-**	44,000	**-**	44,000
Acquisition of subsidiary	**-**	614,780	**-**	-
Tax charge relating to components of other comprehensive income (Note 21)	**-**	(44,000)	**-**	(44,000)
At 31 December	**614,780**	614,780	**-**	-

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The movement in the deferred tax liability during the year is as follows:

	Group	Company
Deferred income tax liabilities	**Fair value gains £**	**Fair value gains £**
At 1 January 2011	**44,000**	44,000
Acquisition of subsidiary	**614,780**	-
Charged to other comprehensive income (Note 21)	**(44,000)**	(44,000)
As at 31 December 2011	**614,780**	**-**
As at 31 December 2012	**614,780**	**-**

	Group	Company
Deferred tax assets	**Tax losses £**	**Tax losses £**
At 1 January 2011	(44,000)	(44,000)
Charged to the income statement	44,000	44,000
As at 31 December 2011	-	-
As at 31 December 2012	**-**	**-**

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 £nil (2011: £nil) 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 £440,000 (2011: £440,000) and other losses of approximately £2,446,636 (2011: £2,475,589) 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

2012	**Number**	**£**
Ordinary shares of 0.7 p each	2,000,000,000	14,000,000

2011	**Number**	**£**
Ordinary shares of 0.7 p each	2,000,000,000	14,000,000

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Issued – Group and Company

	Number of shares	Ordinary shares £	Share premium £	Total £
Issued and fully paid				
At 1 January 2011	183,203,408	1,282,423	5,046,832	6,329,255
Money received for unpaid shares (1)	2,880,554	21,423	34,965	56,388
Issue of new shares – 20 May 2011	8,870,968	62,097	267,903	330,000
At 31 December 2011	**194,954,930**	**1,365,943**	**5,349,700**	**6,715,643**
Money received for unpaid shares	181,818	14	1,986	2,000
Issue of new shares – 6 March 2012	31,997,346	223,982	331,739	555,721
Issue of new shares – 21 May 2012 (2)	95,000,000	665,000	719,805	1,384,805
Issue of new shares – 7 June 2012 (3)	23,451,613	164,161	178,648	342,809
Issue of new shares – 16 July 2012	12,898,286	90,288	135,432	225,720
As at 31 December 2012	**358,483,993**	**2,509,388**	**6,717,310**	**9,226,698**
Issued and unpaid				
At 1 January 2011	3,062,372	21,437	77,378	98,815
Money received for unpaid shares	(2,880,554)	(21,423)	(75,392)	(96,815)
At 31 December 2011	**181,818**	**14**	**1,986**	**2,000**
Money received for unpaid shares	(181,818)	(14)	(1,986)	(2,000)
As at 31 December 2012	**-**	**-**	**-**	**-**
Issued share capital at 31 December 2011	**195,136,748**	**1,365,957**	**5,351,686**	**6,717,643**
Issued share capital at 31 December 2012	**358,483,993**	**2,509,388**	**6,717,310**	**9,226,698**

(1) Includes issue costs of £40,427
(2) Includes issue costs of £87,695
(3) Includes issue costs of £20,690

On 6 March 2012 the Company issued 17,751,480 and 11,337,017 ordinary shares of 0.7 pence each fully paid at 1.69 and 1.81 pence per share respectively, as consideration for business acquisitions during the previous period. On the same date the Company issued 1,775,148 and 1,133,701 ordinary shares of 0.7 pence each fully paid at 1.69 and 1.81 pence per share respectively, in settlement of certain introducer fees in relation to the acquisitions.

On 21 May 2012 the Company raised £1,472,500 through the issue of 95,000,000 ordinary shares of 0.7 pence each fully paid at 1.55 pence.

On 7 June 2012 the Company raised £363,500 through the issue of 23,451,613 ordinary shares of 0.7 pence each fully paid at 1.55 pence.
On 16 July 2012 the Company issued 11,725,715 ordinary shares of 0.7 pence each fully paid at 1.75 pence per share as consideration for business acquisitions during the previous year. On the same date the Company issued 1,172,571 ordinary shares of 0.7 pence each fully paid at 1.75 pence per share in settlement of certain introducer fees in relation to the acquisition.

17. Share Based Payments

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

Vesting date	Expiry date	Exercise price in £ per share	Shares 2012	Shares 2011
22 October 2010	22 October 2012	0.0450	**-**	8,000,000
20 December 2010	20 December 2012	0.0500	**-**	31,201,162
22 September 2011	21 September 2013	0.0400	**1,951,367**	1,951,367
1 January 2012	31 December 2016	0.0430	**7,550,000**	7,550,000
1 January 2013	31 December 2016	0.0480	**4,500,000**	4,500,000
1 January 2014	31 December 2016	0.0630	**2,250,000**	2,250,000
21 May 2012	20 May 2014	0.0310	**38,000,000**	-
25 June 2012	24 June 2014	0.0310	**9,380,645**	-
8 October 2012	7 October 2014	0.0155	**5,922,581**	-
			69,554,593	55,452,529

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 and warrants was determined using the Black Scholes valuation model. The parameters used are detailed below:

	2012 Warrants	2012 Warrants	2012 Warrants
Granted on:	21/05/2012	25/06/2012	08/10/2012
Life (years)	2 years	2 years	2 years
Share price (pence per share)	1.65p	1.75p	1.73p
Risk free rate	2.25%	2.25%	2.25%
Expected volatility	12%	11%	11%
Expected dividend yield	-	-	-
Marketability discount	20%	20%	20%
Total fair value (£000)	-	-	13

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 and warrants granted over the year to 31 December 2012 is shown below:

	2012		2011	
	Number	**Weighted average exercise price (£)**	Number	Weighted average exercise price (£)
Outstanding as at 1 January	**55,452,529**	**0.007**	52,690,229	0.007
Expired	(39,201,162)	0.050	(13,489,067)	0.070
Granted	53,303,226	0.029	16,251,367	0.047
Outstanding as at 31 December	**69,554,593**	**0.033**	55,452,529	0.049
Exercisable at 31 December	**62,804,593**	**0.031**	41,152,529	0.050

	2012				2011			
Range of exercise prices (£)	**Weighted average exercise price (£)**	**Number of shares**	**Weighted average remaining life expected (years)**	**Weighted average remaining life contracted (years)**	Weighted average exercise price (£)	Number of shares	Weighted average remaining life expected (years)	Weighted average remaining life contracted (years)
0 – 0.05	**0.032**	**67,304,593**	**1.76**	**1.76**	0.049	55,452,529	2.04	2.04
0.05 – 0.10	**0.063**	**2,250,000**	**4.00**	**4.00**	0.200	-	-	-

No options or warrants were exercised during the period. The total fair value has resulted in a charge to the Income Statement for the year ended 31 December 2012 of £nil (2011: £23,266) and a charge to Share Premium of £12,669 (2011: £nil).

18. 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 19.

19. Directors' Remuneration

	Directors' Fees		Options Issued	
	2012	2011	**2012**	2011
	£	£	**£**	£
Executive Directors				
Damian Conboy	**90,000**	90,000	**-**	9,034
Michael Ware	**20,000**	-	**-**	-
Non-executive Directors				
Toby Howell	**38,000**	38,000	**-**	3,794
Malcolm James	**36,000**	35,000	**-**	4,235
	184,000	163,000	**-**	17,063

No pension benefits are provided for any Director.

20. Finance Income

	Group	
	2012	2011
	£	£
Interest received from Bank	**1,699**	2,371
Net Finance Income	**1,699**	2,371

21. 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.

	Group	
Income tax expense	**2012**	2011
	£	£
Analysis of tax charge		
Current tax charge for the year	-	-
Deferred tax charge for the year	-	44,000
Tax on loss for the year	-	44,000

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the profits of the consolidated entities as follows:

	Group	
	2012	2011
	£	£
Loss before tax	**(1,101,495)**	(1,242,121)
Tax at the applicable rate of 24.5% (2011: 26%)	**(269,866)**	(322,951)
Effects of:		
Expenditure not deductible for tax	**16,548**	159,346
Capital allowances in excess of depreciation	**(1,304)**	(2,002)
Net tax effect of losses carried forward	**254,622**	165,607
Tax charge	**-**	-

Due to changes in UK tax legislation the applicable tax rate has changed from 26% to 24% with effect from 1 April 2012.

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

	2012			2011		
	Before tax £	**Tax charge £**	**After tax £**	Before tax £	Tax charge £	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 was 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.

22. Loss per Share

The calculation of the total basic loss per share of 0.368 pence (2011: loss of 0.648 pence) is based on the loss attributable to ordinary shareholders of £964,382 (2011: £1,286,121) and on the weighted average number of ordinary shares of 299,136,603 (2011: 191,758,489) in issue during the period.

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 24.

23. Expenses by nature

Group	2012 £	2011 £
Directors' fees	184,000	163,000
Employee salaries	34,708	-
Consultancy and professional fees	248,473	167,708
AIM related fees	135,785	123,309
Aborted acquisition costs	-	101,664
Introducer fees	-	140,253
Loss/(gain) on foreign exchange	5,030	(6,442)
Loss on write-off of investment	-	271,000
Impairment of exploration assets	137,111	-
Share option expenses	-	23,266
Other expenses	358,087	260,734
Total operating expenses	1,103,194	1,244,492

24. 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 has 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.

On 20 May 2011 the Group acquired Nubian Gold Exploration Limited which owns a gold and related minerals exploration licence in Ethiopia that was issued on 29 April 2011. On 22 November 2011 the Group acquired Rift Valley Resources Limited which owns a gold and related minerals exploration licence in Ethiopia that was issued on 10 August 2011. These licences are for a period of 3 years from the date of grant and include commitments to pay annual land royalty fees and adhere to minimum spend requirements.

At 31 December 2012 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	38,321	1,190,678	1,228,999
Later than one year and no later than five years	-	323,178	323,178
Total	38,321	1,513,856	1,552,177

(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 2012 is £36,389 (31 December 2011: £40,130) and is included within restricted assets (Note 10).

(c) Capital commitments

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

Group	**2012** **£**	**2011** **£**
Intangible assets	490,000	490,000

The Group has entered into a contractual arrangement with O'Connor International Limited ("OCI") for consultancy work in the normal course of trade in respect of the Mauritanian licence areas acquired during the prior 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 conditions are met unless the agreement is terminated prior to the conditions being met.

(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.

(d) Operating lease commitments

The Group leases office premises under a non-cancellable operating lease agreement. The lease is on a fixed term of one year. The lease expenditure charged to profit or loss during the year is disclosed in note 6.

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

Group	**2012** **£**	**2011** **£**
Not later than one year	18,000	-
Later than one year but not later than five years	-	-
Total lease commitment	18,000	-

25. Related Party Transactions

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. In 2010 the Company entered into various agreements with OCI for the provision of consultancy services and licence application fees. In 2010, the Company paid £490,000 of consultancy fees incurred 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.

In addition to the consultancy fees paid in prior years 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 24.

Loans to Group undertakings

Amounts receivable as a result of loans granted to subsidiary undertakings are as follows:

	2012 £	2011 £
Alecto Holdings International Limited	700	-
Alecto Mauritania Limited	1,525,352	1,181,717
Nubian Gold Exploration Limited	195,837	63,694
Rift Valley Resources Limited	252,609	7,303
	1,974,498	1,252,714

These amounts are interest free and repayable in Sterling when sufficient cash resources are available in the subsidiaries.

All intra Group transactions are eliminated on consolidation.

Other transactions

Mulwol International Limited, a company of which Wondimu Yoahnnes is a Director and beneficial owner and who is a significant shareholder of the Company, was paid a fee of £33,000 (2011: £23,347) for consulting services provided to Alecto Minerals Plc and £10,000 (2011: £1,668) for consulting services provided to Nubian Gold Exploration Limited and Rift Valley Resources Limited. No balance was outstanding at the year-end.

26. Ultimate Controlling Party

The Directors believe there to be no ultimate controlling party.

27. Events after the Reporting Date

On 4 April 2013 Malcolm James resigned as Chairman of the Company and Professor Michael Johnson was appointed as his replacement.