

African Mining & Exploration Plc

Report and Financial Statements

Year Ended

31 December 2012

Company Number 07307107

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CHAIRMAN'S STATEMENT

It is with positive reflection that I write my first Chairman's Statement for this Company which has the potential to offer so much to investors. By rapidly advancing towards its maiden gold JORC resource, significant progress has been made by the Company on its journey to becoming a leading junior mining and exploration company. This is especially pleasing considering the limited budget expended to achieve the progress.

Exploration

Following the acquisition of Caracal Gold Mali SARL ("Caracal") in July 2012, the Company's exploration focus changed significantly towards the licences acquired as part of the purchase which are in a prime location in a world-class gold mining district. The change in focus was rewarded with very positive results from a drilling programme in December 2012 at the Kossanto permit area, which we expect to provide the Company's maiden resource in 2013.

West Africa Operations

Our Company's primary area of operation is Mali in Western Africa where we are focused on the exploration and subsequent development of gold assets. Mali is the third largest gold producer in Africa. Following a military coup in March 2012 Tuareg and Islamist rebels used the political vacuum to take control of a large area of North Eastern Mali. In response to Islamist territorial gains, the French military launched Opération Serval in January 2013. Within a month, Malian and French forces with the assistance of troops from West African regional states recaptured most of the north. Sufficient stability has been returned for Presidential elections to be scheduled for 7 July and legislative elections for 21 July this year. Our regional headquarters and exploration locations are located many hundreds of miles from the problem areas and Company operations continued with minimal disruption during the year. Since the coup d'état Randgold Resources, one of our neighbours at our Kossanto permits reported its highest ever gold production in Mali in Quarter 3 2012.

Annual General Meeting

At the forthcoming AGM the Shareholders will be asked to renew the usual equity securities issue authorities, which this year include a resolution in respect of the discretionary deferred consideration in respect of the Caracal acquisition. I hope you will once again support the Board by putting these authorities in place.

Additionally, the recently appointed Directors, including myself, are required to be offered for re-election in line with the Company's Articles of Association. I commend the re-election as an endorsement of the Company's stewardship.

Financial

Whilst the Company had a cash position of £1.76m at 31 December 2012, the Board recognised the current financing difficulties amongst the junior exploration sector and as a result took the pro-active decision, announced on 1 March 2013, to implement prudent cash preservation measures expected to save over £350,000 between March and December 2013. Where additional cost-saving opportunities are recognised, they will be implemented as part of an ongoing cost management process as the Company continually reviews its cost base. In line with the prudent management concepts, the Company is regularly focusing on a review of cash flow projections and will regularly assess the timing of potential future fundraising activity to minimise the risk of the Company experiencing financial distress. The Company's cash balance at 2 May 2013 was £1.18m.

Social Responsibility

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

CHAIRMAN'S STATEMENT

Board Changes

In February 2013, following discussions between the Company and its two largest Shareholders, Praetorian Resources Limited ("Praetorian") and Fiske plc ("Fiske") concerning the future direction of the Company, and the composition of the Board due to the market and operational climate, a major change in the composition of the Board was agreed. The Non-Executive Directors, Stephen Oke, Roger Williams and Douglas Chikohora resigned and myself, Charles Cannon-Brookes (nominee for Praetorian) and Clive Harrison (nominee for Fiske) were appointed to the Board alongside Mark Jones, the existing Chief Executive Officer. The recently appointed Directors are working closely with the excellent management team to significantly enhance Shareholder value. I would like to thank Stephen Oke, Roger Williams and Douglas Chikohora for their hard work in establishing AME as a well-run Company in its formative years. Additionally, special thanks and recognition are deserved for their foresight in the acquisition of Caracal, combined with the favourable low risk commercial terms negotiated for that acquisition, which has significantly bolstered the Company's long term prospects.

Outlook

Following the recent Board change our goal remains broadly the same as previously. Specifically, we continue to establish a leading exploration company, utilising the strengths of experienced professionals and partners to deliver significant investment return with managed risk, but with a more expansive approach to geographical coverage. We will continue to look to build Shareholder value by further development of the Company's flagship Kossanto asset in Mali and by utilising the Board and management team's global experience to continue to expand AME's portfolio of gold assets through the judicious selection and acquisition of projects with low entry costs.

The organisation's significant progress towards a maiden JORC resource provides a firm foundation that allows the Company to move forward positively in 2013 and I believe that we are in a much stronger position compared with the same time last year. Finally, we have a small team of dedicated staff and on behalf of the Company I would like to thank them for their significant efforts during the year and I look forward to the coming year, which I hope will be exciting and rewarding for the Company and all its Shareholders.

Mike Johnson
Chairman
3 May 2013

CHIEF EXECUTIVE'S REPORT

During the period the Company maintained a clear focus on its strategy of creating a gold focused exploration company concentrating on quality early exploration opportunities in West Africa. A key milestone in achieving this objective was the acquisition of Caracal which has provided us with our flagship asset, Kossanto. This successful acquisition was just one of a number of opportunities we have investigated to diversify our exploration portfolio in West Africa and we will also seek additional opportunities outside West Africa as we move forwards.

Acquisition of Caracal Gold Mali SARL

On 2 July 2012 the Company signed a Sale and Purchase agreement under which AME, through one of its subsidiaries, acquired the entire issued share capital of Caracal on a 'cash free debt free' basis. Caracal holds six gold exploration licences in Mali and a seventh licence is under a renewal application.

The exploration licences encompass approximately 376 km². Five of the licences are contiguous and collectively known as the 'Kossanto' permits (Kobokoto, Gourbassi, Farikounda, Koussikoto and Kobokoto-Est). These permits lie in the centre of the Kenieba inlier in western Mali, a block of ancient greenstones and granites hosting many significant gold deposits in Senegal and Mali making it one of the most important gold regions in Africa. Kossanto geology includes all the key rock units that host the gold mineralisation in the major gold producing mines of Sadiola, Yatela, Loulo and Sabodala. They consist of a mix of basic and acidic volcanics with turbidites, and pervasive shearing and fracturing. There are extensive artisanal workings all over this region and the structure as indicated by airborne geophysics places Kossanto on the same major fracture system which controls the Sadiola mineralisation.

In consideration for Caracal, AME paid £125,000 and is conducting exploration on the permits for an 18 month period from July 2012. At the end of the 18 month period, AME will have at its sole discretion the right to allot ordinary shares, make a payment in cash or a combination of both cash and ordinary shares to the value of £1.25m to the seller or to grant the seller a right of first refusal to reacquire Caracal from AME on a 'cash free debt free' basis.

If AME elects to proceed with the payment of £1.25m as set out above and where a JORC compliant Proven and Probable reserve of greater than 500,000 oz is established, AME shall be liable to allot 3,515,000 ordinary shares to the seller.

Operations

Kossanto Permits

Following the acquisition of Caracal Gold Mali SARL in July 2012, the Company has been actively evaluating historic data including check-assaying analysis of mineralised intercepts and conducting reverse air blast ('RAB') drilling in order to further ascertain the prospectivity of the Kossanto licence area. This was considered essential before planning for, and committing funds to a reverse circulation ("RC") programme. The Company was pleased to announce positive check-assay results and subsequently a 3,126m RC resource definition drilling programme was completed in December 2012 and the samples sent to an accredited laboratory for analysis. The results of the drilling campaign were very positive and include intercepts of 75m @ 2.04 g/t Au, 46m @ 2.16 g/t Au, 17m @ 3.86 g/t Au and 11m @ 6.16 g/t Au.

The Company continues to actively advance the resource opportunities identified by the recent drilling programme, with particular emphasis on defining extensions at Gourbassi East and additional trenching and pitting at Gourbassi West to define drill targets.

Other Permits

In addition to the Company's flagship Kossanto permits work was carried out on the existing permits, Karan and Diatissan which are both located in prospective areas. Due to its large size and geological results to date, Karan, which is located in Southern Mali, exhibits the potential for providing a significant resource base in the medium term but as the minimum spending requirements have been met already the prudent portfolio management decision is to focus on this at a later date.

CHIEF EXECUTIVE'S REPORT

Social Responsibility

We continue to enjoy excellent relationships with the local population at our exploration permits. This has developed through our local subsidiary Tobon Tondo over a period of 16 years. In co-operation with other mining companies in Mali, AME was able to participate in a programme which demonstrated how the mining fraternity can support the communities it works in. The programme, run by the non-governmental organisation, END Fund, targeted to provide access to treatment for neglected tropical diseases, such as Malaria, which are prevalent in Mali. This provided much needed support for the local community following the interruption of the Mass Drug Administration programme supported by USAID which was suspended following the coup d'état.

Outlook

With the expectation of adding a maiden resource to our portfolio we have significantly enhanced our long term sustainability and the recent changes to the Board confirm the confidence of our major investors in the Company's potential. As I thank the recently departed Directors for their significant contributions in developing a strong asset base in Mali that has great potential to be transformational for AME, I also look forward to working with the new Directors to continue the growth of the Company.

Our existing commitment to getting value for money as we seek to identify potential resources at low cost has served the Company well, yet we are very mindful of the current market conditions hence the implementation of prudent cash conservation measures announced in March 2013. I believe these have moved us from a lean cost base to a very lean cost base, whilst retaining the vital competences, capacity and flexibility to advance the Company in line with stakeholders' expectations. Thus, I am confident that the traction the Company has demonstrated will continue to drive it forwards into a leading junior mining and exploration company.

Mark C Jones
Chief Executive Officer
3 May 2013

REPORT OF THE DIRECTORS

The Directors present their report with the financial statements of the Company and the Group for the year ended 31 December 2012

Principal Activities and Business Review

The principal activity of the Group in the year under review was exploration primarily of gold in three separate locations in the Republic of Mali, namely Kossanto, Karan and Diatissan

The loss of the Group as set out on page 13 is a fair reflection of the Group's performance. The Group made a loss of £941,421 (2011 £1,510,852), of which £954,184 (2011 £1,530,297) was administrative costs. Additionally the Company invested £943,879 (2011 £908,836) on mineral exploration and evaluation on the licences it holds (including the acquisition of Caracal Gold Mali SARL), this is capitalised as an intangible asset as set out in Note 9 in the financial statements

A review of the Group's prospects are included in the Chairman's Statement and the Chief Executive's Report

Dividends

The Directors do not recommend the payment of a dividend (2011 £nil)

Events Since the Reporting Date

The composition of the Board changed significantly in February 2013. Details of this are included in the Chairman's Statement

Principal Risks and Uncertainties

The Board has identified various risk factors which taken individually or together may have a materially adverse effect on the Company's business. The principal risks and how they are managed are as follows

General Exploration Risk

Mineral exploration is a high risk undertaking and there can be no guarantee that exploration will result in the discovery of an economically viable ore body. Exploration tenements are carefully selected by experienced experts in regions of proven prospective geology. A methodical, staged approach is taken to the work and different technologies, as well as extensive fieldwork are used to identify targets for trenching and later drilling

Attraction and Retention of Key People

The success of the Company is dependent on the expertise and experience of the Directors and senior management and the loss of one or more could have a material adverse effect on the Company. The Board has put in place a remuneration policy which includes a share option scheme in order to motivate and retain key employees

Future Funding Requirements

The Company has an ongoing requirement to fund its exploration activities and may need to obtain finance from the equity markets in the future. Senior management and the Board closely monitor the cashflows of the Group. Cashflow projections are presented regularly to the Board for review and this assists in ensuring expenditure is focused on areas of greatest exploration potential. Overheads and administration costs are carefully managed

Exploration Licence Titles

The licences will be subject to applications for renewal and any renewal is usually at the discretion of the relevant government authority. The licences in the Company's portfolio have been the subject of legal due diligence in order to establish valid legal title

Country Risk

The Company carries out exploration in Mali which has recently experienced political instability which may cause disruption to the Company's activities. This risk is mitigated by ensuring the Company meets its work and expenditure obligations, that it prioritises local in-country employment and that it maintains good relationships at all levels with government, administrative bodies and other stakeholders. The Board actively monitors political and regulatory developments

Directors

The Directors who have held office during the period from 1 January 2012 to the date of this report (unless otherwise stated) are as follows

M C Jones

D D Chikohora (resigned 5 February 2013)

S D Oke (resigned 5 February 2013)

R A Williams (resigned 5 February 2013)

M S Johnson (appointed 5 February 2013)

C Cannon-Brookes (appointed 5 February 2013)

C Harrison (appointed 5 February 2013)

REPORT OF THE DIRECTORS

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

	No. of shares held at 31 December 2012	No. of shares held at 31 December 2011
M C Jones	1,850,000	1,850,000
M S Johnson	4,040,000	4,040,000

The Directors' interests in the share options and warrants options of the Company are as follows (further details can be found in Note 20)

	Quantity at 1 Jan 2012	Quantity granted during the year	Forfeited during the year	Options at 31 Dec 2012	Exercise price	Date of the grant	First date of exercise	Final date of exercise
Shares Options								
M C Jones	3,000,000	–	–	3,000,000	10p	22/10/10	21/10/11	21/10/15
D D Chikohora	600,000	–	–	600,000	10p	22/10/10	21/10/11	21/10/15
S D Oke	750,000	–	–	750,000	10p	22/10/10	21/10/11	21/10/15
R A Williams	500,000	–	–	500,000	16 1p	07/03/11	07/03/11	06/03/16
Warrant Options								
M C Jones	3,000,000	–	–	3,000,000	12 5p	22/10/10	21/10/11	21/10/15
D D Chikohora	600,000	–	–	600,000	12 5p	22/10/10	21/10/11	21/10/15
S D Oke	750,000	–	–	750,000	12 5p	22/10/10	21/10/11	21/10/15
2010 Warrants								
M C Jones	1,850,000	–	–	1,850,000	12 5p	01/11/10	01/11/10	01/11/14
M S Johnson	4,475,000	–	–	4,475,000	12 5p	01/11/10	01/11/10	01/11/14

The remuneration of Directors during the year was as follows

	Directors' emoluments 2012	Directors' emoluments 2011
Executive Directors		
M C Jones	150,048	150,048
M J Churchouse	–	24,028
Non-Executive Directors		
S D Oke	40,000	40,000
D D Chikohora	25,000	25,000
R A Williams	25,000	20,363
	240,048	259,439

REPORT OF THE DIRECTORS

continued

Directors' Indemnity

The Group has agreed to indemnify its Directors against third party claims which may be brought against them and has in place a Directors' and Officers' insurance policy

Group's Policy on Payment of Creditors

The Group's policy on the payment of all trade creditors is to ensure that the terms of payment, as specified and agreed with creditors, are not exceeded. Trade creditors as at 31 December 2012 represents 8 days (2011: 17 days) as a proportion of the total amount invoiced by creditors during the year ended on that date.

Political and Charitable Contributions

The Group made a donation of £5,000 (2011: £100) to The END Fund during the year. No political donations were made by the Group in the year (2011: £nil).

Going Concern

After making enquiries, the Directors have reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. As described in Note 1, in order to continue as a going concern the Directors expect to need to seek further funding.


Statement as to Disclosure of Information to Auditor

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

Auditors

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

On behalf of the Board


Mark C Jones
Chief Executive Officer
3 May 2013

CORPORATE GOVERNANCE STATEMENT

The Company, being listed on AIM, is not required to comply with the UK Corporate Governance Code ("the Code") issued in May 2010. However the Company has given consideration to the provisions set out in Section 1 of the Code annexed to the Financial Conduct Authority Listing Rules. The Directors support the objectives of the Code and intend to comply with those aspects that they consider relevant to the Group's size and circumstances. Details of these are set out below.

The Board of Directors

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

Internal Financial Control

The Board is responsible for establishing and maintaining the Group's system of internal financial controls. Internal financial control systems are designed to meet the particular needs of the Group and the risk to which it is exposed, and by its very nature can provide reasonable, but not absolute, assurance against material misstatement or loss. The Directors are conscious of the need to keep effective internal financial control. Due to the relatively small size of the Group's operations, the Directors are very closely involved in the day-to-day running of the business and as such have less need for a detailed formal system of internal financial control. The Directors have reviewed the effectiveness of the procedures presently in place and consider that they are appropriate to the nature and scale of the operations of the Group. The Directors have implemented necessary controls and procedures to comply with the UK Bribery Act 2010.

The Audit Committee

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

The Remuneration Committee

The Remuneration Committee comprises two Non-Executive Directors – Charlie Cannon-Brookes (who chairs the Committee) and Mike Johnson. It is responsible for reviewing the performance of the Executive Director and for setting the scale and structure of his remuneration, paying due regard to the interests of Shareholders as a whole and the performance of the Group. The remuneration of the Chairman and the Non-Executive Directors is determined by the Board as a whole, based on a review of the current practices in other companies. The current Chairman and Non-Executive Directors are each paid a nominal value of £1 per annum for their services.

Anti-Bribery and Corruption

It is the Company's policy to conduct business in an honest way, and without the use of corrupt practices or acts of bribery to obtain an unfair advantage in line with the UK Bribery Act 2010. The Company takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever it operates and implementing and enforcing effective systems to counter bribery.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Director's 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 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. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website Publication

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

REPORT OF THE INDEPENDENT AUDITOR

to the members of African Mining & Exploration Plc

We have audited the financial statements of African Mining & Exploration Plc for the year ended 31 December 2012 which comprise the consolidated statement of comprehensive income, the consolidated and Company statements of financial position, the consolidated and Company statements of changes in equity, the consolidated and Company statements of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

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

Scope of the audit of the financial statements

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

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in Note 1 to the financial statements concerning the Company's ability to continue as a going concern. The Company is reliant on its ability to successfully raise further financing to fund future working capital and development needs. Although the Directors are confident of being able to obtain further sources of funding, this cannot be guaranteed and indicates the existence of a material uncertainty, which may cast significant doubt on the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 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.

REPORT OF THE INDEPENDENT AUDITOR

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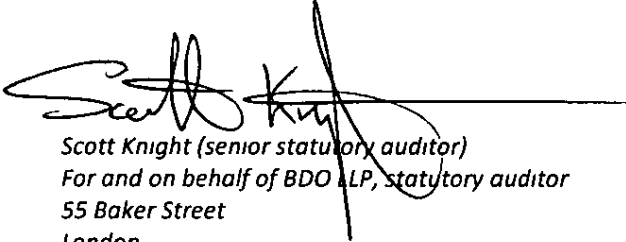
Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

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



*Scott Knight (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
55 Baker Street
London
W1U 7EU
United Kingdom
3 May 2013*

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012

	Notes	2012 £	2011 £
Revenue		–	–
Administrative expenses		(954,184)	(1,530,297)
Operating loss		(954,184)	(1,530,297)
Finance income	4	12,763	19,445
Loss before tax	5	(941,421)	(1,510,852)
Taxation	6	–	–
Loss for the year attributable to equity owners of the parent		(941,421)	(1,510,852)
Other comprehensive income			
Exchange (losses)/gains arising on translation of foreign operations		(30,298)	5,166
Other comprehensive income for the year		(30,298)	5,166
Total comprehensive income for the year attributable to equity owners of the parent		(971,719)	(1,505,686)
Loss per share attributable to equity owners of the parent expressed in pence per share:			
Basic and diluted	8	(1.12)	(1.84)

The notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2012

	Notes	2012 £	2011 £
Assets			
Non-current assets			
Intangible assets	9	2,086,667	1,167,560
Property, plant and equipment	10	177,174	182,726
Total non-current assets		2,263,841	1,350,286
Current assets			
Trade and other receivables	12	73,133	49,881
Cash and cash equivalents	13	1,767,381	3,378,474
Total current assets		1,840,514	3,428,355
Total assets		4,104,355	4,778,641
Equity and Liabilities			
Shareholders' equity			
Share capital	14	842,133	842,133
Share premium		4,997,699	4,997,699
Foreign currency reserve		(16,412)	13,886
Warrant reserve		579,500	579,500
Share based payment reserve		577,260	407,133
Merger reserve		572,314	572,314
Retained earnings		(3,646,829)	(2,705,408)
Total equity attributable to equity holders of the parent		3,905,665	4,707,257
Liabilities			
Current liabilities			
Trade and other payables	15	198,690	71,384
Total liabilities		198,690	71,384
Total equity and liabilities		4,104,355	4,778,641

The financial statements were approved by the Board of Directors on 3 May 2013 and were signed on its behalf by

Mark C Jones
Chief Executive Officer



Company number 07507107

The notes form part of these financial statements

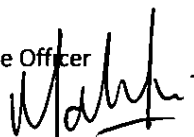
COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December 2012

	Notes	2012 £	2011 £
Assets			
Non-current assets			
Intangible assets	9	6,063	8,973
Investments	11	127,327	127,227
Other receivables	12	2,011,829	1,559,066
Total non-current assets		2,145,219	1,695,266
Current assets			
Trade and other receivables	12	63,947	46,938
Cash and cash equivalents	13	1,759,898	3,375,105
Total current assets		1,823,845	3,422,043
Total assets		3,969,064	5,117,309
Equity and liabilities			
Shareholders' equity			
Called up share capital	14	842,133	842,133
Share premium		4,997,699	4,997,699
Warrant reserve		579,500	579,500
Share based payment reserve		577,260	407,133
Retained earnings		(3,008,739)	(1,697,360)
Merger reserve		(82,188)	(82,188)
Total equity		3,905,665	5,046,917
Liabilities			
Current liabilities			
Trade and other payables	15	63,399	70,392
Total liabilities		63,399	70,392
Total equity and liabilities		3,969,064	5,117,309

The financial statements were approved by the Board of Directors on 3 May 2013 and were signed on its behalf by

Mark C Jones
Chief Executive Officer



Company number 07307107

The notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2012

	Share capital £	Share premium £	Foreign currency reserve £	Warrant reserve £	Share-based payment reserve £	Retained earnings £	Merger reserve £	Total equity £
At 1 January 2011	708,115	3,429,561	8,720	708,115	67,771	(1,323,171)	572,314	4,171,425
Issue of share capital	134,018	1,559,670	-	-	-	-	-	1,693,688
Fundraising costs	-	8,468	-	-	-	-	-	8,468
Exercise of warrants	-	-	-	(128,615)	-	128,615	-	-
Total comprehensive income for the year	-	-	5,166	-	-	(1,510,852)	-	(1,505,686)
Share-based payments	-	-	-	-	339,362	-	-	339,362
At 31 December 2011	842,133	4,997,699	13,886	579,500	407,133	(2,705,408)	572,314	4,707,257
Loss for the year	-	-	-	-	-	(941,421)	-	(941,421)
Other comprehensive income	-	-	(30,298)	-	-	-	-	(30,298)
Total comprehensive income for the year	-	-	(30,298)	-	-	(941,421)	-	(971,719)
Share-based payments	-	-	-	-	170,127	-	-	170,127
At 31 December 2012	842,133	4,997,699	(16,412)	579,500	577,260	(3,646,829)	572,314	3,905,665

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

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

The notes form part of these financial statements

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2011

	Share capital £	Share premium £	Warrant reserve £	Share-based payment reserve £	Retained earnings £	Merger reserve £	Total equity £
At 1 January 2011	708,115	3,429,561	708,115	67,771	(660,026)	(82,188)	4,171,348
Issue of share capital	134,018	1,559,670	-	-	-	-	1,693,688
Fundraising costs	-	8,468	-	-	-	-	8,468
Exercise of warrants	-	-	(128,615)	-	128,615	-	-
Total comprehensive income for the year	-	-	-	-	(1,165,949)	-	(1,165,949)
Share-based payments	-	-	-	339,362	-	-	339,362
At 31 December 2011	842,133	4,997,699	579,500	407,133	(1,697,360)	(82,188)	5,046,917
Total comprehensive income for the year	-	-	-	-	(1,311,379)	-	(1,311,379)
Share-based payments	-	-	-	170,127	-	-	170,127
At 31 December 2012	842,133	4,997,699	579,500	577,260	(3,008,739)	(82,188)	3,905,665

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

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

The notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2012

	2012	2011
	£	£
Cash flows used in operating activities		
Loss for the year	(941,421)	(1,510,852)
Depreciation and amortisation charges	39,172	19,690
Share-based payment reserve charge	170,127	339,362
Shares issued in lieu of payment to extinguish liabilities	–	86,000
Finance income	(12,763)	(19,445)
Cash flow from operating activities before changes in working capital	(744,885)	(1,085,245)
(Increase)/decrease in trade and other receivables	(23,273)	28,968
Decrease in trade and other payables	(9,037)	(154,946)
Net cash used in operating activities	(777,195)	(1,211,223)
Cash flow used in investing activities		
Purchase of intangible assets (exploration expenditure)	(808,588)	(920,476)
Purchase of tangible fixed assets	(35,209)	(165,085)
Interest received	12,763	19,445
Net cash used in investing activities	(831,034)	(1,066,116)
Cash flow from financing activities		
Exercise of warrants	–	1,607,688
Net cash from financing activities	–	1,607,688
Decrease in cash and cash equivalents	(1,608,229)	(669,651)
Cash and cash equivalents at beginning of year	3,378,474	4,004,606
Exchange differences	(2,864)	43,519
Cash and cash equivalents at end of year	1,767,381	3,378,474

The notes form part of these financial statements

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2012

	2012	2011
	£	£
Cash flows used in operating activities		
Loss for the year	(1,311,379)	(1,165,949)
Depreciation and amortisation charges	2,910	2,667
Impairment of intercompany receivables	439,839	–
Share-based payment reserve charge	170,127	339,362
Shares issued in lieu of payment to extinguish liabilities	–	86,000
Finance income	(12,763)	(19,445)
Cash flow from operating activities before changes in working capital	(711,266)	(757,365)
Increase in trade and other receivables	(909,611)	(1,333,145)
Decrease in trade and other payables	(6,993)	(149,572)
Net cash used in operating activities	(1,627,870)	(2,240,082)
Cash flow used in investing activities		
Investment in subsidiaries	(100)	(1,300)
Purchase of intangible fixed assets	–	(11,640)
Interest received	12,763	19,445
Net cash from investing activities	12,663	6,505
Cash flow from financing activities		
Exercise of warrants	–	1,607,688
Net cash from financing activities	–	1,607,688
Decrease in cash and cash equivalents	(1,615,207)	(625,889)
Cash and cash equivalents at beginning of year	3,375,105	4,000,994
Cash and cash equivalents at end of year	1,759,898	3,375,105

The notes form part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2012

1 ACCOUNTING POLICIES

Basis of Preparation

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

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

Presentational and Functional Currency

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

Going Concern

The Company currently has sufficient cash resources to fund its budgeted exploration programme and overheads for approximately 12 months from approval of these financial statements. In order to secure further funding the Company will need to either raise further equity, enter into a joint venture agreement or a combination of the two. The capital market conditions for small mining exploration companies are currently difficult and not helped by the recent decline in the gold price. Notwithstanding this the Directors are confident that the project portfolio is highly attractive and the announcement of the positive results at its flagship Kossanto permit, which is expected to provide a maiden resource in 2013, supports this. The Directors are therefore confident that if capital market conditions improve further, funding can be secured and therefore it is appropriate to prepare the financial statements on a going concern basis. However, the Directors appreciate that the lack of formal agreements means there can be no certainty that the additional funding will be secured within the necessary timescale.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern, which would principally relate to the impairment of intangible assets.

Basis of Consolidation

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

Intercompany transactions and balances between Group companies are eliminated in full.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES continued

Foreign Currencies

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

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

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

Intangible Assets

Deferred development costs

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

Unevaluated mineral properties are assessed at reporting date for impairment in accordance with the policy set out below. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units) as disclosed in Note 9.

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

Mineral properties

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

Other intangible assets

Other intangibles are recorded at cost less amortisation and provision for diminution in value. Amortisation is calculated to write off the cost of each asset over its estimated useful life of three years.

The acquisition of Caracal Gold was principally the acquisition of mining licences effected through a non-operating corporate structure. As the structure does not represent a business, it is considered that the transaction does not meet the definition of a business combination. Accordingly the transaction is accounted for as the acquisition of an asset. Future consideration for which is discretionary is not recognised as an asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

1. ACCOUNTING POLICIES continued

Property, Plant and Equipment

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

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

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

Plant & Equipment	4–10 years
Office Equipment	4 years
Motor Vehicles	4 years

Financial Instruments

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

Financial Assets

Loans and receivables

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

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

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

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

Financial Liabilities

Other liabilities

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES continued

Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised

Operating leases

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

Share-based payments

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

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

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

Key accounting estimates and judgements

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

(a) Carrying value of mineral properties and development costs

The African Mining and Exploration Group assesses at each reporting period whether there is any indication that these assets may be impaired. If such indication exists, the Group estimates the recoverable amount of the asset. In the early stages of exploration an indication of impairment may arise from drilling and assay results or from management's decision to terminate the project. The recoverable amount is assessed by reference to the higher of 'value in use', where a project is still expected to be developed into production (being the new present value of expected future cash flows of the relevant cash generating unit) and 'fair value less cost to sell'. Further details are set out in Note 9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

1. ACCOUNTING POLICIES continued

(b) *Deferred development costs*

The African Mining and Exploration Group has to apply judgement in determining whether exploration and evaluation expenditure should be capitalised within intangible assets as deferred development costs or expensed. The African Mining and Exploration Group has a policy of capitalising all deferred development costs (as set out above). Management therefore exercises judgement based on the results of economic evaluations, prefeasibility or feasibility studies in determining whether it is appropriate to continue to carry these costs as an intangible asset or whether they should be impaired. The total value of deferred development costs capitalised as at each of the reporting dates is set out in Note 9.

(c) *Share-based payments*

In determining the fair value of share-based payments made during the period, a number of assumptions have been made by management. The details of these assumptions are set out in Note 20.

Accounting Developments During 2012

The International Accounting Standards Board (IASB) issued various amendments and revisions to International Financial Reporting Standards and IFRIC interpretations. The amendments and revisions were applicable for the year ended 31 December 2012 but did not result in any material changes to the financial statements of the Group or Company.

Accounting Developments Not Yet Adopted

Various new standards and amendments have been issued by the IASB up to the date of this report which are not applicable until future periods and some have not yet been endorsed by the European Union. The Directors do not expect these will have a material impact on the financial statements of the Group or Company.

2. SEGMENTAL REPORTING

The Group complies with IFRS 8 Operating Segments, which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, which the Company considers to be the Board of Directors. In the opinion of the Directors, the operations of the Group comprise one class of business, being the exploration primarily of gold in West Africa.

3. EMPLOYEES AND DIRECTORS

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

	2012	2011
Operational	24	20
Non-operational	8	8
	32	28

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. EMPLOYEES AND DIRECTORS continued Staff Costs (excluding Directors)

	2012	2011
	£	£
Salaries	413,525	297,335
Social security	61,208	11,220
Share-based payment expense (see Note 20)	22,584	32,758
	497,317	341,313

The numbers in the above table include £281,498 (2011 £113,583) which was capitalised as an intangible asset

Directors' Remuneration

	2012	2011
	£	£
Salaries	240,048	259,439
Social security	6,903	10,030
Share-based payment expense (see Note 20)	147,543	306,604
	394,494	576,073

The Directors are considered to be the key management of the Group. Details of Directors' remuneration and the highest paid Director are disclosed in the Report of the Directors. No Directors accrued pension benefits during any of the periods presented.

4. FINANCE INCOME

	2012	2011
	£	£
Deposit account interest	12,763	19,445

5. LOSS BEFORE INCOME TAX

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

	2012	2011
	£	£
Depreciation and amortisation	39,172	19,690
Auditor's remuneration		
– Statutory audit of the Group financial statements	24,687	24,500
– Other assurance services	4,520	4,032
– Tax advice	1,800	7,500
Foreign exchange differences	45,058	47,775
Operating lease payments	54,513	27,577
Share-based payments charge	170,127	339,362

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

6. INCOME TAX

Analysis of the Tax Charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2012 nor for the year ended 31 December 2011

Factors Affecting the Tax Charge

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

	2012	2011
	£	£
Loss on ordinary activities before tax	(941,421)	(1,510,852)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24% (2011 26.5%)	(225,941)	(400,376)
Effects of		
Expenses not deductible for tax purposes	49,853	1,067
Tax losses carried forward	176,088	399,309
Total income tax	–	–

Deferred Tax

The Group has carried forward losses amounting to £2,771,219 as at 31 December 2012 (2011 £2,045,917). As the timing and extent of taxable profits are uncertain, the deferred tax asset arising on these losses has not been recognised in the financial statements.

7. LOSS OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent Company is not presented as part of these financial statements. The parent Company's loss for the financial year was £1,311,379 (2011 £1,165,949).

8. EARNINGS PER SHARE

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. EARNINGS PER SHARE continued

Reconciliations are set out below

	2012	2011
	£	£
Basic Loss Per Share		
Losses attributable to ordinary Shareholders	(941,421)	(1,510,852)
Weighted average number of shares	84,213,306	82,124,728
Loss per share	0.0112	0.0184

9. INTANGIBLE ASSETS (Group)

	Exploration and evaluation £	Other £	Total £
Cost			
At 1 January 2011	281,883	–	281,883
Additions	908,836	11,640	920,476
Exchange differences	(32,132)	–	(32,132)
At 1 January 2012	1,158,587	11,640	1,170,227
Additions	943,879	–	943,879
Exchange differences	(21,862)	–	(21,862)
At 31 December 2012	2,080,604	11,640	2,092,244
Amortisation			
At 1 January 2011	–	–	–
Charge for the year	–	2,667	2,667
At 1 January 2012	–	2,667	2,667
Charge for the year	–	2,910	2,910
At 31 December 2012	–	5,577	5,577
Net Book Value			
At 31 December 2012	2,080,604	6,063	2,086,667
At 31 December 2011	1,158,587	8,973	1,167,560

The exploration and evaluation assets referred to in the table above comprise expenditure in relation to gold exploration licences in West Africa. The Directors consider that for the purposes of assessing impairment, the above exploration and evaluation expenditure is allocated to the following three licence areas, representing the Group's three Cash Generating Units (CGUs)

	2012	2011
	£	£
Exploration and evaluation assets		
Project Name		
Karan	1,294,997	1,054,311
Caracal Kossanto	568,227	–
Diatissan	217,380	104,276
Total exploration and evaluation assets	2,080,604	1,158,587

The Directors consider that the carrying value of the intangible assets is not impaired based on an assessment of the recoverable amount of each of the Group's CGUs

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

9 INTANGIBLE ASSETS (Company)

	Other £	Total £
Cost		
At 1 January 2011	–	–
Additions	11,640	11,640
At 1 January 2012	11,640	11,640
Additions	–	–
At 31 December 2012	11,640	11,640
Amortisation		
At 1 January 2011	–	–
Charge for the year	2,667	2,667
At 1 January 2012	2,667	2,667
Charge for the year	2,910	2,910
At 31 December 2012	5,577	5,577
Net book value		
At 31 December 2012	6,063	6,063
At 31 December 2011	8,973	8,973

10. PROPERTY, PLANT AND EQUIPMENT (Group)

	Plant and machinery £	Motor vehicles £	Office equipment £	Total £
Cost				
At 1 January 2011	–	40,480	4,748	45,228
Additions	162,282	–	2,803	165,085
Exchange differences	(5,519)	(877)	(421)	(6,817)
At 1 January 2012	156,763	39,603	7,130	203,496
Additions	20,129	15,081	–	35,210
Exchange differences	(3,690)	(852)	(176)	(4,718)
At 31 December 2012	173,202	53,832	6,954	233,988
Depreciation				
At 1 January 2011	–	2,231	2,112	4,343
Charge for year	5,950	9,587	1,486	17,023
Exchange differences	(202)	(268)	(126)	(596)
At 1 January 2012	5,748	11,550	3,472	20,770
Charge for year	21,815	12,722	1,725	36,262
Exchange differences	35	(180)	(73)	(218)
At 31 December 2012	27,598	24,092	5,124	56,814
Net book value				
At 31 December 2012	145,604	29,740	1,830	177,174
At 31 December 2011	151,015	28,053	3,658	182,726

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INVESTMENTS (Company)

	Shares in Group undertakings £
At 1 January 2012	127,227
Additions	100
At 31 December 2012	127,327

The addition in the year represents the investment in AME West Africa Limited being 100% of share capital acquired

The Company had the following subsidiary undertakings, either directly or indirectly, at 31 December 2012, which have been included in the consolidated financial statements

Subsidiary	Country of incorporation	Nature of business	Class of share	% holding
New Mines Holdings Limited	St Kitts & Nevis	Holding company	Ordinary	100%
Tobon Tondo S U A R L	Republic of Mali	Mining & exploration	Ordinary	100%
African Mining & Exploration Mali S A R L	Republic of Mali	Mining & exploration	Ordinary	100%
AME West Africa Limited	United Kingdom	Holding company	Ordinary	100%
Société African Mining & Exploration Guinea S A R L	Guinea	Mining & exploration	Ordinary	62%
Caracal Gold S A R L	Republic of Mali	Mining & exploration	Ordinary	100%

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012 £	2011 £	2012 £	2011 £
Non-current				
Amounts due from subsidiaries	–	–	2,011,829	1,559,066
	–	–	2,011,829	1,559,066
Current				
VAT recoverable	24,333	21,233	23,531	20,410
Other receivables	48,800	28,648	40,416	26,528
	73,133	49,881	63,947	46,938

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Cash at bank and in hand	1,767,381	3,378,474	1,759,898	3,375,105

14. SHARE CAPITAL

	2012		2011	
	£0.01 ordinary shares number	£	£0 01 ordinary shares number	£
Allotted, issued and fully paid				
At beginning of year	84,213,306	842,133	70,811,500	708,115
Issued during year				
Other issue	–	–	540,299	5,403
Exercise of warrants	–	–	12,861,507	128,615
At end of year	84,213,306	842,133	84,213,306	842,133

Refer to Note 20 for details of unissued warrants

15. TRADE AND OTHER PAYABLES

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Current				
Trade creditors	8,536	16,234	8,536	15,242
Other creditors	8,675	9,646	8,675	9,646
Accruals and deferred income	181,479	45,504	46,188	45,504
	198,690	71,384	63,399	70,392

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. FINANCIAL INSTRUMENTS

Financial Instruments - Risk Management

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

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

Principal Financial Instruments

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

- trade and other receivables
- cash at bank
- trade and other payables

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

Liquidity Risk

The Group has sufficient funding in place to meet its current operational commitments but in common with many exploration companies, the Company is likely to need to raise funds for its exploration activities in discrete tranches to finance its activities for finite periods only. Further funding is planned to be raised as and when required. The Group's policy continues to be to ensure that it has adequate liquidity by careful management of its working capital. The Board receives rolling 18-month cash flow projections on a monthly basis as well as information regarding cash balances. At the balance sheet date, these projections indicated that the Group expected to have sufficient liquid resources to meet its current obligations under all reasonably expected circumstances.

Foreign Exchange Risk

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

16. FINANCIAL INSTRUMENTS continued

As at 31 December 2012 and 31 December 2011, the currency exposure of the Group was as follows

	GBP £	Euro £	CFA £	GNF £	Total £
At 31 December 2012					
Cash and cash equivalents	1,742,722	17,177	6,606	876	1,767,381
Other receivables	63,947	–	9,186	–	73,133
Trade and other payables	63,399	–	135,291	–	198,690
At 31 December 2011					
Cash and cash equivalents	3,311,488	63,616	2,092	1,278	3,378,474
Other receivables	46,938	–	2,943	–	49,881
Trade and other payables	70,391	47	946	–	71,384

Capital Disclosures

The Group's objectives when maintaining capital are

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for Shareholders and benefits for other stakeholders, and
- to provide an adequate return to Shareholders by pricing products and services commensurately with the level of risk

The Company currently does not have any debt

17 COMMITMENTS

Details of discretionary future payments are set out below. The Directors are of the opinion that provisions are not required in respect of these matters, as payment of these amounts is at the Directors' sole discretion.

Strategic investment in future mining and exploration projects

On commercial discovery or commencement of mining operations, a fee of up to \$2,479,000, \$1,312,000 and \$50,000 will be payable to the Mali Government, for the Kossanto, Karan and Diatissan licence areas respectively. In order to meet the terms of the exploration licences the Group has certain ongoing expenditure commitments. These commitments have not been recognised as a liability in the financial statements as the licences can be surrendered to the Mali Government and these costs would not need to be incurred.

Discretionary consideration payable in relation to the acquisition of Caracal Gold SARL

In consideration for acquiring Caracal Gold Mali SARL, AME paid an initial £125,000 subsequent to which it is conducting exploration on the permits owned by Caracal for an 18 month period from July 2012. At the end of the 18 month period, AME will have at its sole discretion the right to allot ordinary shares, make a payment in cash or a combination of both cash and ordinary shares to the value of £1.25m to the seller or to grant the seller a right of first refusal to reacquire Caracal from AME on a 'cash free debt free' basis. If AME elects to proceed with the payment of £1.25m as set out above and where a JORC compliant Proven and Probable reserve of greater than 500,000 oz is established, AME shall be liable to allot 3,515,000 ordinary shares to the seller. Further details are presented in the Chief Executive's Report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. RELATED PARTY DISCLOSURES

Details of Directors' remuneration are given in Note 3. During the year £2,640 (2011: £1,950) was paid to Mr Scott Jones (son of Mark Jones) for website development and maintenance of which £nil (2011: £nil) remained unpaid and £150,048 (2011: £150,048) was payable to J Cubed Ventures Ltd (Company controlled by Mark Jones) for consultancy fees of which £12,504 (2011: £12,504) remained unpaid. The amounts payable to J Cubed Ventures Ltd have been included in the Directors' remuneration in Note 3.

19. OPERATING LEASE COMMITMENTS

	2012	2011
	£	£
No later than one year	44,151	56,172
Later than one year and no later than five years	13,006	134,448
Later than five years	–	22,104
	57,157	212,724

The operating lease commitments are for business premises in West Africa and the United Kingdom.

20. SHARE OPTIONS AND WARRANTS

Upon admission to AIM, the Company issued 70,811,500 warrants, the '2010 Warrants'. Each warrant was issued as part of a share and warrant 'unit'. Each 2010 Warrant entitles the 2010 Warrant holder to subscribe for one Ordinary Share at 12.5 pence at any time from the date of admission until the second anniversary of admission. On 26 October 2012 a meeting for 2010 Warrant holders was held and the meeting passed a resolution to extend the final date of exercise of the 2010 Warrants by two years to 1 November 2014. Details of this meeting were published in RNS announcements to the London Stock Exchange on 5 October 2012 and 26 October 2012. No other changes were made at the meeting on 26 October 2012 and the original full terms of the 2010 Warrants can be found on the admission document, page 105. At 31 December 2012 57,949,993 '2010 Warrants' were unexercised and none were exercised during the year. At 31 December 2012 57,949,993 '2010 Warrants' were unexercised.

In addition to the share and warrant units issued as part of the admission to AIM, African Mining and Exploration Plc also operates an approved share option plan for Directors and employees. On 22 October 2010 and 7 March 2011, the Company issued share options and warrants to Directors, Non-Executive Directors and employees of the Company as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

20. SHARE OPTIONS AND WARRANTS continued

Part A Share and Warrant Options

	Options at 1 Jan 2012 No	Options granted during the year	Forfeited during the year	Options at 31 Dec 2012 No	Exercise price	Date of the grant	First date of exercise	Final date of exercise
Shares – Directors								
M C Jones	3,000,000	–	–	3,000,000	10p	22/10/10	21/10/11	21/10/15
Shares - Others	700,000	–	–	700,000	10p	22/10/10	21/10/11	21/10/15
Total	3,700,000	–	–	3,700,000				
Warrants – Directors								
M C Jones	3,000,000	–	–	3,000,000	12 5p	22/10/10	21/10/11	21/10/15
Warrants - Others	500,000	–	–	500,000	12 5p	22/10/10	21/10/11	21/10/15
Total	3,500,000	–	–	3,500,000				

Part B Share and Warrant Options

	Options at 1 Jan 2011 No	Options granted during the year	Options at 31 Dec 2011 No	Exercise price	Date of the grant	First date of exercise	Final date of exercise
Shares – Non-Executive Directors							
D D Chikohora	600,000	–	600,000	10p	22/10/10	21/10/11	21/10/15
S D Oke	750,000	–	750,000	10p	22/10/10	21/10/11	21/10/15
R Williams	500,000	–	500,000	16 1p	07/03/11	07/03/11	06/03/16
Total	1,850,000	–	1,850,000				
Warrants – Non-Executive Directors							
D D Chikohora	600,000	–	600,000	12 5p	22/10/10	21/10/11	21/10/15
S D Oke	750,000	–	750,000	12 5p	22/10/10	21/10/11	21/10/15
Total	1,350,000	–	1,350,000				

The terms of the two option plans are as follows

Part A – Options

Each of the Directors and key employees were granted one option and one warrant to purchase the above number of shares at the time of IPO. Subsequent issues were granted for options only.

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

Performance Conditions:

As to 20% of the shares under this option - the completion of the Karan Scoping Study

As to 30% of the shares under this option - the confirmation of a JORC Inferred Resource

As to 50% of the shares under this option - the confirmation of a JORC MC-1 Inferred Resource of at least 500,000 troy ounces of gold

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. SHARE OPTIONS AND WARRANTS continued

Part B – Options

Each of the Non-Executive Directors were granted one option and one warrant to purchase the above number of shares at the time of IPO. Subsequent issues were granted for options only.

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

Share Options

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

Warrant Options

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

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

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

	2010 Issue Share Options	2010 Issue Warrant Options	2011 Issue Share Options
Stock asset price	£0.10	£0.10	£0.1038 – £0.1612
Option strike price	£0.10	£0.125	£0.1038 – £0.1612
Maturity (years)	5	5	5
Risk-free interest rate	2.5%	2.5%	2.5%
Volatility	95%	95%	95%
Option (fair value)	£0.0730	£0.0698	£0.0757 – £0.1176

This fair value is the cost that is charged to the Statement of Comprehensive Income and is spread over the expected vesting period which, for non-market vesting conditions (as noted above), is revised at each period end.

COMPANY INFORMATION

Directors	M C Jones Professor M Johnson C Cannon-Brookes C Harrison	Executive Director Chairman Non-Executive Director Non-Executive Director
Secretary	S F Ronaldson 55 Gower Street London WC1E 6HQ	
Registered Office	Third Floor 55 Gower Street London WC1E 6HQ	
Registered Number	07307107 (England and Wales)	
Auditor	BDO LLP Chartered Accountants & Statutory Auditors 55 Baker Street London W1U 7EU	
Bankers	NatWest Bank Plc St James' & Piccadilly Branch PO Box 2DG 208 Piccadilly London W1A 2DG	
Nominated Advisors & Brokers	Singer Capital Markets Limited 1 Hanover Street London W1S 1YZ	
Solicitors	Ronaldsons LLP 55 Gower Street London WC1E 6HQ	
Registrars	Share Registrars 9 Lion & Lamb Yard Farnham Surrey GU9 7LL	
Website	www.ameplc.co.uk	