

Toro Gold Ltd
Annual Report 2010



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Overview

Toro Gold Ltd (“Toro Gold” or the “Company”) is a gold exploration and development company focused on Africa with emphasis on west, east and central Africa north of the equator. The Company is seeking to establish a multi million ounce portfolio of gold projects across multiple jurisdictions to offer investors exposure both to proven and emerging gold provinces and provide technical and political risk diversification. Based on a highly successful track record of discovery, development, operation and corporate transactions across the African continent, the management of Toro Gold has the experience to identify and advance gold projects at all stages of their development and operational cycle.

Since being formed in 2009 the Company has established a portfolio of eight early to mid stage exploration projects across six countries. The Company has made excellent progress to date and highlights over the last year include:

- Identification of the Petowal drill target within the Mako Project in eastern Senegal;
- Re-evaluation of the Guilengbe Project in north-east Guinea as a potential large scale / bulk tonnage project;
- Successful award of the “Block 12” licence in Sudan covering a large area of highly prospective geology in an emerging jurisdiction and commencement of exploration work; and;
- Over £11.4m raised to continue the development of the Toro Gold portfolio.

Portfolio Summary

- 1 Mako Project
- 2 Kenieba Project
- 3 Guilengbe Project
- 4 Baramako - Siguiri Project
- 5 Samaya Nord Project
- 6 Zomoko Project
- 7 Bogoin Project
- 8 Block 12 Project



Project Name	Operator	Project Ownership	Equity Holding	Geological Terrane	Permit Size
Senegal					
1. Mako Project	Bambuk	JV - Kansala Resources	Earn in to 65 % or 85 %	Lower Proterozoic / Birimian	214km ²
2. Kenieba Project	Bambuk	JV - 3SI	Earn in to 77.5 %	Lower Proterozoic / Birimian	500km ²
Guinea					
3. Guilengbe Project	Bambuk	JV - JMC	Earn in to 100 %	Lower Proterozoic / Birimian	251km ²
4. Baramako - Siguiri Project	Bambuk	Direct Application	100 %	Lower Proterozoic / Birimian	94km ²
Mali					
5. Samaya Nord Project	Bambuk	JV - Bafoulabe Mining	Earn in to 92 %	Lower Proterozoic / Birimian	27km ²
Gabon					
6. Zomoko Project	Toro Gold Gabon	JV - MinerOil	70 % /US\$3m free carry	Archaean Greenstone (BIF)	2,618km ²
Central African Republic					
7. Bogoin Project	Toro Gold Ltd	JV - ORGEM	Up to 90 %	Archaean Greenstone (BIF)	1,000km ²
Sudan					
8. Block 12 Project	Toro East Africa	Direct Application	100 %	Upper Proterozoic / Nubian Shield	3,500km ²



Chairman's Statement

It gives me great pleasure to report on your Company's progress during the financial year 2010. The period saw excellent progress for the Company through a combination of results achieved at our existing projects and new projects being added to the portfolio. Highlights of the year include strong surface results from the Mako project in eastern Senegal, the re-appraisal of the Guilengbe project as a large scale resource target in Guinea and the successful award of the Block 12 licence in Sudan. Initial steps were also taken to assess projects in Gabon, Central African Republic and Mali.

The Mako project in Senegal returned encouraging results from an initial mapping and surface sampling programme which has outlined the exciting Petowal prospect. The Company moved to accelerate the exploration programme to drill test this target during 2010 but unfortunately the project suffered delays in the time taken to receive the permissions required to drill at Petowal. With these permissions now granted, a drill programme is scheduled for Q3 2011. The Guilengbe project in Guinea was advanced through a combination of field work and importantly a "benchmarking" of the project against regional operating mines. Based on a review of the mineralisation at AngloGold Ashanti's Siguiri and Nord Gold's Lefa mines we believe that the Guilengbe project hosts a similar style of mineralisation, with potential for a "bulk tonnage" target. Work in 2011 will focus on confirming this conceptual model that if successful could lead to the planning of resource drilling during the 2011-2012 field season.

In Sudan the Company was successful in its application for the Block 12 licence in the Red Sea Hills of north-east Sudan. The Company signed a comprehensive Concession Agreement in November 2010 at a ceremony in Khartoum for this large and untested area of prospective geology. We commenced work during early 2011 and believe that the combination of the prospective geology combined with an early mover status sees us well positioned for success in an emerging exploration jurisdiction.

During the period we unfortunately terminated our attempt to conclude a corporate deal with AXMIN Inc ("AXMIN") that envisaged a business combination transaction focussed on the Passendro project in the Central African Republic. With AXMIN ultimately concluding a deal with a third party we returned to focussing on organic growth through our existing projects' development and acquiring additional projects via joint ventures or direct licence application. To this end, based on our good relations in the Central African Republic we have agreed a joint venture with the state development company, ORGEM, to jointly explore the largely untapped potential of the country.

The year saw the gold price rally strongly and this aligned with a return to stronger equity markets has seen the junior gold sector return to good health. Naturally the increase in activity has impacted on the availability of quality staff and drill rigs but with an experienced team in place we are well placed to participate in the current market conditions into 2011 and beyond as we continue to develop our portfolio.

Since January 2010 the Company has raised £11.4 million and this has been applied to advance the current portfolio. This includes the provision of US\$8.75m to our 80% owned subsidiary Bambuk Minerals Ltd ("Bambuk") in line with the terms of our Shareholders and Subscription Agreement.

With an excellent year completed we are very much looking forward to successful programmes over 2011, leading to further exploration success. With the initial discovery work completed at Mako and Guilengbe we believe that the project portfolio is poised to deliver strong results that will underpin value creation and with the potential to support the listing of the Company on an internationally recognised exchange in the future.

I would also like to take this opportunity to thank all our staff for the excellent work carried out thus far. We would also like to extend a hand of thanks to all our country partners who have encouraged the active development of their natural resources industries. We look forward to a prosperous and successful future together.

A Pouroulis

Non-Executive Chairman



Operations Review

Toro Gold is pursuing a development strategy focussed on the acquisition of exploration projects with good geological potential that can be advanced through their development cycle via industry standard exploration, assessment and development methodologies. Projects in the portfolio have been acquired through a combination of direct licence application and joint ventures with existing holders of exploration rights. In all cases the Company is the operator/manager of these projects.

Given the management team's African experience, the Company is focussed on the exploration of the highly prospective Birimian and Achaean greenstone terranes across "Equatorial Africa" – which for practical purposes we define as being broadly sub-Saharan and north of the Equator.

The Company is currently operating eight projects across six countries – Senegal, Guinea, Mali, Gabon, Central African Republic and Sudan – and is in active discussion regarding other projects. The portfolio is being developed to provide investors with risk diversification on both a technical and jurisdictional basis, while adhering to the classic strategy of having a pipeline of projects at differing stages of development to provide current and future growth opportunities. Given the inherent risks associated with exploration activities aligned to rapidly changing political landscapes, management believe this to be a prudent approach.

The Company's most advanced projects to date are the Bambuk operated Mako project in Senegal and the Guilengbe Project in Guinea. The results achieved at both projects will hopefully lead to detailed and extensive follow up work during the 2011/2012 field season and beyond.

Outside of West Africa, the Company has sought to acquire large scale exploration licences that cover relatively untested but prospective geological terranes. This has naturally lead to emerging jurisdictions being considered which have a potentially higher political risk associated with them. With our centre of operations focussed in the more established exploration and mining jurisdictions of West Africa, the lower cost nature of early stage exploration in these emerging jurisdictions gives investors exposure to what could be excellent upside for relatively limited financial exposure.



Block 12 Project, Sudan



Guilengbe Project, Guinea

Bambuk Minerals Ltd – Toro Gold’s West African Subsidiary

In order to augment the existing “in-house” geological expertise at Toro Gold, the Company signed a Shareholders and Subscription Agreement (“SSA”) with Bambuk Minerals Ltd in mid- 2009. Accordingly, Bambuk acts as the Company’s West African subsidiary with Toro Gold retaining an 80 % equity interest in Bambuk and the balance held by the BVI registered Forban Trust. The beneficiaries of the Forban Trust are the Bambuk management team which is headed up by Dr Jonathan Forster. Under the terms of the SSA, the Forban Trust’s holding in Bambuk is non-diluting for the first US\$10 million of investment by Toro Gold and at the date of this report some US\$8.75m had been invested by Toro Gold to further the development of the West African portfolio.

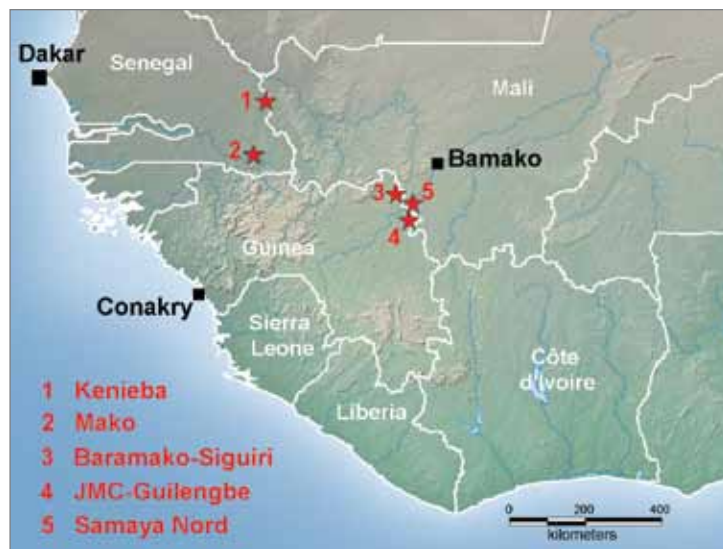
The Bambuk transaction gives the Company access to Dr Forster’s excellent track record of discovery and development within West Africa and through the Forban Trust mechanism ensures the alignment of our joint corporate goals.

It is anticipated that the US\$10m “free carry” threshold will be passed in late 2011. The options then open to both Toro Gold and the Forban Trust include the ability for the Forban Trust to participate in future Bambuk funding cash calls, dilute their holding in Bambuk via non-contribution to cash calls or conclude a deal to divest of the Forban holding in Bambuk.

Corporate Activity

The Company has completed three raisings since January 2010 to fund the on-going exploration activities across the portfolio raising some £11.4m. With the initial funding of the Company being provided by private investors, management has focussed on attracting institutional investors to provide a core group that will hopefully support the Company through its development cycle. To this end the raisings were considered successful not only in terms of the quantum raised but also the quality of the international investors that now form the majority of the share register.

During the period, the Company unsuccessfully attempted to conclude a corporate transaction with Toronto listed AXMIN Inc. Management worked with its advisors for over 10 months to attempt to conclude a business combination of Toro Gold and AXMIN which would have seen Toro Gold shareholders given exposure to both the AXMIN asset base (and more specifically the Passendro project in the Central African Republic) as well as a listing in Canada. AXMIN shareholders would have benefitted from Toro Gold’s management team’s technical, corporate and business connections in addition to an injection of funds. Ultimately AXMIN concluded a deal with a third party during 2010 leaving the Company to focus on its core strategy of acquiring projects via direct application, earn in or under joint venture agreements.



Bambuk Project Locations



Dr Jon Forster and Mako Project Geological Team

Senegal

Senegal has recently benefitted from a period of intense exploration activity that has led to a number of high profile discoveries – the result of which has seen Senegal become a “hot spot” for both explorers and investors alike. The “Kenieba Window” geological unit is an inlier of highly prospective Birimian greenstones which covers part of eastern Senegal and western Mali. In Senegal this hosts all of the new discoveries within the country: Teranga Gold Corporation’s Sabodala mine is currently in production at a rate of around 130,000 ounces per annum while both Randgold Resources and Oromin Explorations Ltd have also made significant multi-million ounce discoveries during the last two years. Drawn by the combination of prospective geology, excellent infrastructure and a supportive Government, the Company currently operates two projects within the Kenieba Window via joint venture agreements: the Mako project and the Kenieba project.



Senegal Project Plan within the Kenieba Window Geological Unit

The Mako Project, Bambuk JV with Kansala Resources S.A.

The Mako project is operated by Bambuk under a Joint Venture Agreement (“JVA”) with Kansala Resources S.A. (“Kansala”), a Senegalese registered company. Under the terms of the JVA Bambuk may earn up to 65% interest (prior to any free carried interest of the State) in the Mako Permit by completing a Scoping Study and may increase its interest to 85% (prior to any free carried interest of the State) by completing a Bankable Feasibility Study if Kansala does not elect to participate in further exploration expenditures beyond the Scoping Study. The JVA was signed in September 2009 and Bambuk has been operating the project since later that year.

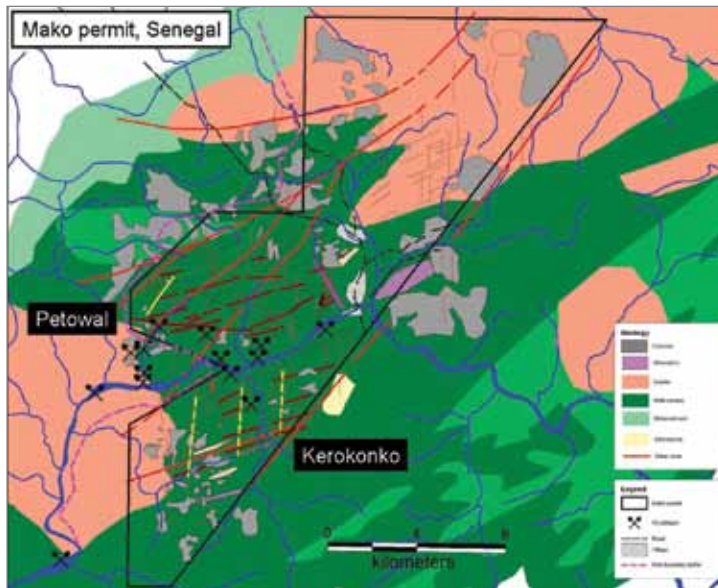


Dr Jon Forster and Project Geologist, Hamidou Sow



Petowal Outcrop, Mako Project

After an initial period of field work completed by Bambuk, the licence (covering some 214km²) was renewed in April 2010 and is therefore valid for a further 6 years subject to a final renewal during 2013.



Mako Project Licence Plan



Petowal Prospect Plan

The Mako project is situated approximately 25km from Randgold Resources' Massawa Project and some 40km from Teranaga Gold's Sabodala mine in eastern Senegal. It is accessed via the main national Dakar – Bamako highway and the project lies 5km from this metallised main road. The project abuts the UNESCO Niokolo-Koba National Park along its western perimeter. The park boundary is defined by a national Decret and also benefits from a 1km "buffer zone" exterior to the park. It should be noted that the exploration permit lies entirely outside of the both the National Park perimeter and the associated buffer zone, and lies in an area without any significant population pressures.

The permit was essentially untested prior to Bambuk's involvement and initial work focussed on a systematic soil sampling and mapping campaign across the licence area. Several anomalies were identified across multiple zones, but the Petowal prospect in the west of the licence proved most interesting. Follow up mapping and grab sampling further encouraged our view of Petowal. "Chip-channel" sampling of continuous exposures in stream sections that cut across the full width of the mineralised zone in a number of places returned similarly impressive results as follows:

- 65m @ 3.3g/t and 18m @ 2.7 g/t Au
- 30m @ 3.4 g/t and 12m @ 2.4 g/t Au

Based on these results the prospect has indicated a zone of potential mineralisation over 2 km long and up to 65m wide with average grades across these apparent widths of the order of 2.5 to 3.5 g/t Au.

Being proximal to the Niokolo National Park Boundary, AMEC of the UK completed an environmental "Fatal Flaw" review prior to the commencement of field work in 2009, the results of which provided confidence to proceed with an exploration programme. Based on the field results achieved, management designed a reconnaissance drill programme to test the mineralised zone with an initial 1,500m programme during Q2/Q3 2010. The drilling programme has been delayed pending Government approvals to drill the Petowal prospect but with these approvals now in place a drilling programme is planned for Q3 2011.

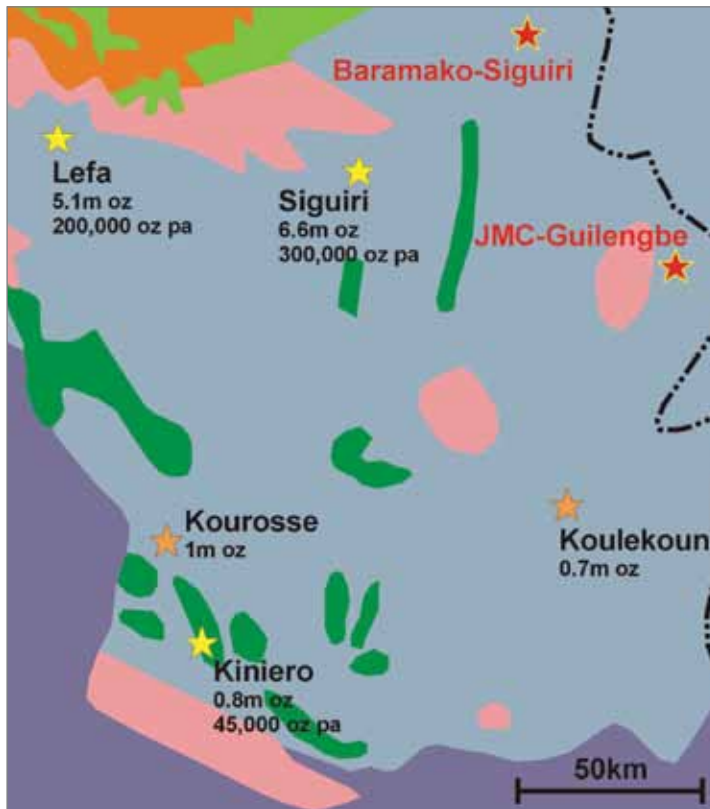
Kenieba Project, Bambuk JV with 3SI International

The Kenieba Joint Venture was established in early 2010 with a local Senegalese Company, 3SI International. The permit covers some 500km² and Bambuk can earn up to 77.5% interest (prior to any free carried interest of the State) through staged work programmes and payments to 3SI and by completing a Bankable Feasibility Study. The permit is situated at the north end of the productive Sabodala Belt. Exploration is at an early stage, with initial results having identified areas worthy of follow up.

Work for 2011 will target further delineation of the mineralisation with the objective of defining drill targets.

Guinea






Guinea has a well established mining sector despite historical periods of intermittent political instability. However, with a newly elected democratic government and a supportive international community, Guinea looks to be entering a new period of stability and prosperity of which the mining sector will play a central role in the development of the economy. While it is a recognised world leader in the production of high grade bauxite, it also has a well established gold sector that includes Anglogold Ashanti's Siguiri mine (boasting Africa's largest CIL gold processing plant) producing over 300,000 ounces per annum and Nord Gold's Lefa gold mine which produces some 200,000 ounces per annum. Both these mines are located in the Siguri Basin of north-east Guinea which is underlain by highly prospective Birimian sediments and minor volcanics – and accordingly both of Bambuk's projects are similarly located in the same region.



Guinea Project Location Plan



Birimian Geology

-  Upper Proterozoic sandstones
-  Granite
-  Metavolcanics
-  Greywacke
-  Archaean basement

Gold Projects

-  Bambuk permit
-  Mine
-  Discovery
-  Mali-Guinea border



Guilengbe Exploration Camp



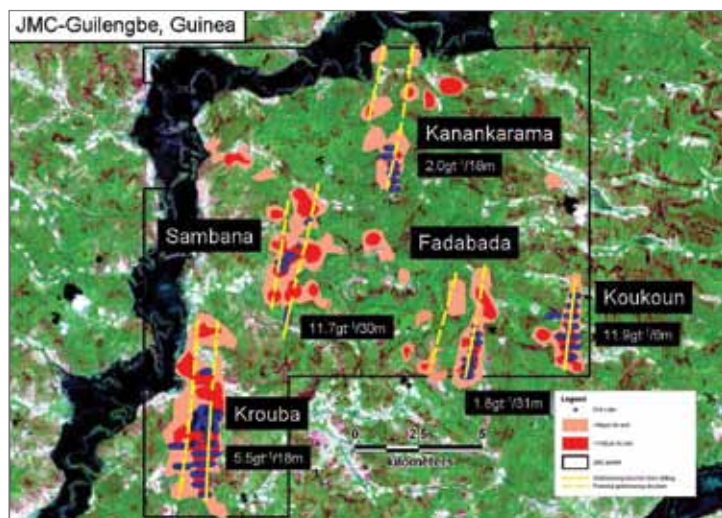
Guilengbe Drilling Campaign

Guilengbe Project, Bambuk Joint Venture with Japan Mining Company

The Guilengbe Joint Venture with Japan Mining Company was established in October 2009. The exploration permit is located in north-east Guinea and covers an area of some 251km² of prospective Birimian geology. Under the terms of the JVA, Bambuk has the right to acquire up to 100% of the Guilengbe project by completing all works up to and including a bankable feasibility study and making payments at the completion of a positive pre-feasibility study and at the completion of a positive bankable feasibility study.

The Guilengbe project was previously explored by a third party which completed permit wide soil sampling and approximately 50,000m of drilling. The programme was curtailed during the economic downturn of 2008 despite showing interesting results – results which encouraged Bambuk to conclude the joint venture deal in 2009.

Initial work under Bambuk's stewardship at the project has involved the reinterpretation of the previous data set supplemented by a substantial soil sampling programme and a reconnaissance 10,000m drilling programme to test the strike extents of a series of identified mineralised zones.



Guilengbe Permit Plan - Current identified zones of mineralisation

Analysis of all the data available indicates the potential to identify gold mineralisation over cumulative widths of 25-40m within 2-3 closely spaced structures along extensive north-south orientated zones. In an environment where oxidation can extend to over 100m depth further analysis indicates that while the mineralised zones are broadly north-south trending, zones of higher grade mineralisation are associated with east-west cross cutting structures. Current indications show the potential for over 20km of strike to be tested for a high tonnage low grade target.

A 23,000m combined core and RC programme is planned for Q2-Q3 2011 which if successful could lead to a subsequent systematic resource drilling campaign during the 2011/2012 field season.

Baramako – Siguiri Project, Bambuk Direct Application

The Baramako Licence was awarded to Bambuk after a successful direct application in early 2010. The 94km² licence is located some 70 km north of the Guilengbe licence in the Siguiri prefecture and was largely untested prior to the commencement of work in late 2009. Basic works completed over the period included both mapping and a regional scale soil sampling programme to start to understand the geological context of this project.

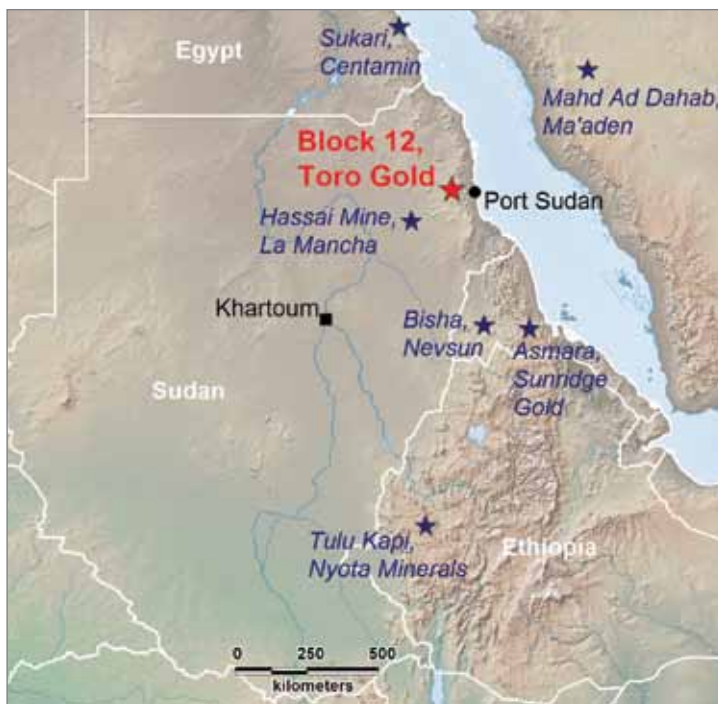
Initial results have indicated the presence a style of mineralisation similar to that seen at the Guilengbe project and work for 2011 will focus on the continued delineation of potential drill targets across the licence area.

Sudan

After a prolonged period of instability due to a combination of civil wars and political isolation, the region referred to as the Horn of Africa (predominantly Sudan, Eritrea and Ethiopia) has remained largely unexplored in the modern era post 1990 and largely missed-out on the “gold rushes” of the mid-1990’s and mid-late 2000’s that saw many new gold mines being built in Tanzania, Mali, Ghana, Senegal, Burkina Faso and Guinea.

The Horn of Africa is underlain in part by volcano-sedimentary belts of Upper Proterozoic age which collectively comprise the Nubian Shield. This geological terrane extends in the north from the Red Sea Hills in Egypt and Sudan, in to Eritrea and Tigary (northern Ethiopia) and western Ethiopia and south-east Sudan to south central Ethiopia in the south. Gold has been mined in the Red Sea Hills of Egypt and Sudan since Pharonic times and continues on a small scale across the entire region by artisanal miners.

With the political changes that have swept across the region over the last 5-10 years exploration and development companies have also started to re-examine this historically prolific region with some success: Nevsun Resources Ltd’s Bisha project in Eritrea, Centamin’s Sukhari project in the Red Sea Hills of Egypt, La Mancha’s Hassai Mine in Sudan are all in production with a number of other companies having made significant discoveries across the Nubian as well as the adjoining Arabian Shield.



Block 12 Project Location Plan with major regional projects

With the recognition of the prospectivity of the region and with the willingness to accept the risks associated with being an early mover in an emerging jurisdiction, the Company secured its first project in Sudan during the period. While the initial exploration permit covers an area with excellent geological potential, it is hoped that through establishing a presence in the country that additional projects can be added to the portfolio.



Block 12 Project, Sudan



Exploration Fly Camp, Block 12 Project, Sudan

Block 12 Licence, Direct Application, Geological Research Authority of Sudan

The exploration licence was granted in November 2010 after a direct application to the Geological Research Authority of Sudan (“GRAS”) by the Company. The licence is valid for a total of 8 years (7 years for exploration plus an additional optional year for the completion of further technical studies if required) and is covered by a comprehensive Concession Agreement that governs all aspects of the licence’s development from exploration, through development, production and ultimately closure and rehabilitation.

The licence is extensive and covers some 3,500km² in close proximity to Port Sudan – a logistical benefit for our operations in this sparsely populated part of the country. The licence overlays a regional structural feature known as the Nakasieb shear zone that hosts La Mancha’s Hassai mine and associated exploration targets within Sudan and mining operations in Saudi Arabia for both Maaden (Mahd A dahb Gold Mine) and Equinox (Jabal Syed Copper project). The licence is therefore considered to have excellent geological potential.

The north-east of Sudan is presently experiencing an explosion of artisanal gold mining and in Block 12 the local Beja and Rashaida people are using metal detectors and bulldozers to find gold nuggets as well as excavating pits and trenches along mineralised quartz vein systems and shear zones, many of which are in intrusive rocks.

The project was introduced to the Company by a third party with whom a deferred payment in recognition of an “introducers fee” has been agreed. The payment is due at point of completing a positive pre-feasibility study on any project within the licence area and is based on the number of ounces of gold defined at that time. This mechanism effectively defers payment for the licence until a tangible project has been identified and is considered appropriate for a “grassroots” exploration project in an emerging jurisdiction.

The licence is effectively untested using modern exploration techniques and represents an operational challenge to explore in remote mountainous terrain. Field work started in earnest in January 2011 with the establishment of a field base in Port Sudan that comprises a senior expatriate team working with a group of 4 local geologists to commence the exploration programme. We have been delighted by the support of GRAS to date and their assistance has been essential in commencing work in as short a time as possible.

Work has comprised early stage geological reconnaissance of previously known mineral occurrences and current artisanal gold mining sites and sampling of these sites using drainage sediment, soils and rocks as sample media.

Some 1,115 samples have been taken during the period from late January until mid-June. Drainage and soil samples have been taken around and covering all previously known and active artisanal mining sites and in addition grab rock samples have been taken at all these sites.

Results are scheduled to be returned in Q3 2011.



Block 12 Project, Sudan



Block 12 Project, Sudan

Gabon

The Company has agreed a joint venture with Mineroil Ltd (“Mineroil”) in respect of three exclusive exploration licences for gold in Gabon – together known as the Zomoko project. The licence areas are located in north-central Gabon and were chosen to target extensive areas of Archaean greenstone belts including a number of extensive Banded Ironstone Formation ridges which are associated with numerous known gold in stream occurrences as well as artisanal gold mining. Mineroil will be free carried for the first US\$3m of expenditure by the Company, after which their 30% holding in the project is on a participatory basis. The licence areas are essentially untested using modern techniques and work at this early stage is considered “grassroots”. Two of the licence areas have been granted and field work will commence in July 2011.

Central African Republic

Based on management’s extensive and successful operating history in the Central African Republic aligned to an improving investment environment, the Company has agreed a Partnership Agreement with the state agency - Office de Recherches Géologiques et d’Exploitation (“ORGEM”). ORGEM is a State Agency, created by Law N° 09.005 of April 29, 2009, pertaining to the Mining Code of the Central African Republic and acts as the de facto state mining company. Under the terms of the Partnership Agreement signed in March 2011, Toro Gold and ORGEM will explore the country using a local joint venture company – ORCA SA – which will select and apply for gold exploration licences. The Company can earn up to 90% of ORCA by the completion of a feasibility study and making bonus payments at the point of pre-feasibility and full feasibility studies.

Mali

Bambuk has agreed a joint venture with Bafoulabe Mining on the Samaya Nord project in western Mali. The JV is subject to the award of a new Permit which Bambuk hopes will be achieved in 2011. Bambuk can earn up to 92% in the project by expenditure of US\$1.75m over 5 years.

Outside the projects discussed above the Company has assessed numerous other licences and projects over the year and we remain actively assessing opportunities as they are identified that could enhance the portfolio.

Martin Horgan

Chief Executive Officer & Executive Director



Siaka Koumare, Project Manager, Guilengbe, Guinea



Howard Bills & Geological Team, Block 12 Project, Sudan

Board & Management Biographies

The Board and Management team of Toro Gold has an established track record of successful discovery and development of projects across Africa – this encompasses technical capability from the exploration phase through to operations and corporately in fund raising and M&A transactions. The management group has discovered over 10 million ounces of gold across four African countries during the last 15 years which includes two operating mines and one project currently under development. In addition the team has participated in corporate transactions totalling in excess of US\$1bn over the last 15 years.

The mix of complimentary technical and corporate skills allied to excellent political and business relations across the continent means that Toro Gold can rapidly identify and develop projects across our operational footprint in Africa to create returns for our shareholders.

Board of Directors

Adonis Pouroulis

Non Executive Chairman

Adonis is an entrepreneur whose expertise lies in the discovery, exploration and development of mineral resources including diamonds, precious / base metals, coal and oil and gas, and bringing these assets into production.

Having worked in the natural resources sector for over 20 years he has extensive experience in the exploration and mining sector, and a wide network of industry relationships across the African continent.

Adonis qualified as a mining engineer from the University of Witwatersand in Johannesburg in 1991 and subsequently spent some time working in the South African gold mines before heading to the Former Soviet Union where he established the Koronia metal trading company in Moscow. In 1994, having returned to South Africa, Adonis founded Blue Diamond Mines that developed a diamond mining operation in Port Nolloth and brought it into full production. Seeing an opportunity to create a larger, international diamond company focused in Africa, he founded Petra Diamonds and in 1997 it became the first diamond company to be listed on London's AIM market with a market capitalisation at the time of just £10 million. He has since overseen Petra's development from an exploration base into one of the largest independent diamond producers in Africa today with a market capitalisation of over US\$1billion.

He was influential in the founding, development and listing of a number of other natural resources companies including Chariot Oil & Gas that floated on AIM in May 2008 (having raised US\$90 million and subsequently raised a further US\$140m to further the exploration programme), Chromex Mining and Mukuba Resources. He continues to work with a pipeline of other early stage private companies such as Benzu Resources, Alufer Mining, Centrale Oil and Gas, Helios Oil and Gas and Rainbow Resources.

Martin Horgan

Chief Executive Officer & Executive Director

A mining engineer by training, Martin has worked across numerous areas of the mining sector including as an engineer for Gold Fields in South Africa, for Steffen Robertson & Kirsten in the UK and RSA offices, at Barclays Capital and as Executive Director of BDI Mining Corp. Martin started his career working at Gold Fields East Driefontein Mine on the West Witwatersrand Basin some 70km from Johannesburg in South Africa. He joined SRK working in the Cardiff office in Dr Mike Armitage's Resource evaluation team where he worked on a diverse range of projects covering different commodities globally.

At Barclays Capital his role covered mining project finance and advisory business across the African and the Middle East regions, global responsibility for the technical appraisal and review of all investments, environmental and social compliance of the investments in line with international standards and the financial modelling of all transactions.

Martin subsequently joined AIM listed BDI Mining as an Executive Director, and he was part of the team which negotiated the sale of the company to Gem Diamonds in 2007 realising a record share price for the Group. Martin co-founded Toro Gold with Howard Bills in early 2009.



Phillip Jeffrey (Jeff) Gard

Executive Director

After graduating with degrees in Chemical, Mining and Minerals engineering, Jeff started his career in mining in 1966 with the National Coal Board in the U.K. He then joined Cominco in Canada with the position of Process Superintendent in lead/zinc, gold and coal.

In 1974 he joined the Fluor Corporation as Senior Process Engineer in their mining and metals group. Over the following 30 years he held various positions around the globe including Process Manager, Project Manager and Project Director, becoming the Managing Director for Southern Africa and later became President of their mining and metals group. In this position he was responsible for the safe and timely execution of projects worth approximately US\$2 billion in value annually. This included the US\$1.9 billion Batu Hijau project (copper/gold) in Indonesia and the US\$1.8 billion Muskeg River project (oil sands) in northern Canada.

Jeff has held a number of directorships in the resource sector following his retirement from Fluor, helping to establish mining operations across multiple commodities and jurisdictions.

William Lovering

Non Executive Director

William's career started in 1986 as a graduate trainee with Arbuthnot Latham Investment Management, where he remained after the company was taken over by the investment division of the Royal Trust of Canada. Following stints with Royal Trust, Brown Shipley, the Royal Bank of Scotland's investment division and Capital House, William joined the London Office of Swiss Private Bank Lombard Odier & Cie. During his 11 years with Lombard Odier, William managed a range of mandates, culminating in leading the European and EAFE Equity team in Geneva.

In 2005 William took up the role of Head of International Portfolio Management for Al Rajhi Holdings, initially located in Eastern Province, Saudi Arabia, then in Bahrain and finally in Geneva. With Al Rajhi, William oversaw a diversified international portfolio of quoted and private investments with a strong bias towards the natural resources sectors. Significant achievements included the joint venture funding of the purchase of the Cullinan Diamond mine from De Beers and Al Rajhi Holdings' investment and significant stakes in Eland's Platinum and BDI Mining, amongst others. William is currently a Partner at The Private Office in Geneva and oversees the company's wealth management business.

Robert Sinclair

Non Executive Director

Robert is managing director of the Guernsey-based Artemis Fiduciaries and a director of a number of investment fund management companies and investment funds associated with Artemis Fiduciaries. Robert is chairman of Schroder Oriental Income Fund Limited, and a director of ING UK Real Estate Income Trust Limited and also chairman of its audit committee. He is a Fellow of the Institute of Chartered Accountants in England and Wales and is resident in Guernsey.

Management Team

Martin Horgan

Chief Executive Officer, Toro Gold Ltd

See page 12

Gary Townsend

Chief Financial Officer, Toro Gold Ltd

Gary is a Fellow of the Institute of Chartered Accountants and a Chartered Taxation Adviser. For the majority of the last 15 years has worked for major gold mining companies in Africa in senior financial roles. From 1996 to 2004, he was Group Financial Controller of Ashanti Goldfields where he was in charge of structuring the finance department in order to accommodate several acquisitions including that of SAMAX Gold. Within this role Gary was also integral in setting up and running the internal budgetary and reporting systems dealing with the Group's seven mining operations across Africa, mitigating tax liabilities and helping to refinance the Group prior to the Company being sold to Anglo Gold in 2004.

Gary has also held positions as Chief Financial Officer and Company Secretary at Guinor Gold (which was subsequently sold to Crew Gold for US\$350m following a raising of US\$130m in equity and project finance to fund mine expansion) and more recently Horizonte Minerals Plc where he dealt with all financial aspects required for the operations in London, Peru and Brazil.

John Howard Bills

Group Exploration Manager, Toro Gold Ltd

An exploration geologist by training, Howard has spent 30 years working predominately on gold and diamond exploration projects across the African continent undertaking work for BP Minerals, SAMAX, SRK Consulting and AXMIN. Over the years, Howard has developed an in-depth knowledge of a broad range of exploration techniques and the application of these to both gold and diamond exploration in the tropics. As well as being responsible for a variety of discoveries across Africa, Howard was also involved in numerous other early to advanced exploration projects in South East Asia, South America, Central Asia and Russia and preparing 43.101 documents and independent reports for stock exchange listings and private placements.

Prior to co-founding Toro Gold with Martin Horgan, Howard was Exploration Manager for AXMIN including being the General Manager of AXMIN's CAR subsidiary where he managed the discovery, drill out and pre-feasibility study on the 3M ounces Passandro gold project in the Central African Republic building up a team of over 240 staff.

Boubacar Thera

International Business Development Manager, Toro Gold Ltd

Boubacar Thera is a mining administrator and lawyer and has been involved with francophone African countries since 1994. Prior to joining Bambuk in 2009 Boubacar was appointed Manager and Chief Government Liaison Officer of AXMIN and African Selection Mining, and has previously acted as a consultant for other mineral groups and mining lawyer offices.

Dr Jonathan Forster

Chief Executive Officer, Bambuk Minerals Ltd

Jon is a geologist by training who has worked in the mining and exploration sector for 31 years and has a successful corporate and technical track record in the discovery of gold in Africa. Between 1999 - 2008 he was involved with the establishment and executive management of a publicly listed junior gold exploration company, with attributable discoveries of over 4 million ounces of gold in west and central Africa. He has a proven ability to create shareholder value through the identification, evaluation, acquisition and exploration of gold projects and provides strong hands-on exploration management expertise. Jon founded Bambuk in 2009 with Craig Banfield.



Report of the Directors

for the year ended 31 December 2010

The Directors present their report together with the Group financial statements for the year ended 31 December 2010. The Company was incorporated in Guernsey 9 March 2009. Accordingly the comparative information presented in this report is for the period from 9 March 2009 to 31 December 2009. There is no ultimate controlling party as the Company has a large number of shareholders; the most significant shareholding as at the date of signing is Macquarie Bank Limited who holds 17%.

Principal Activities

Toro Gold Limited is a gold exploration and development company focused on sub-Saharan Africa.

A detailed review of the activities of the Group is provided in the Chairman's Statement and Operations Review.

Results & Dividends

The results for the year are set out on page 19.

The Directors do not recommend the payment of a dividend (2009:nil).

Directors

The Directors of the Company during the year were;

Adonis Pouroulis

Martin Horgan

Phillip Jeffrey Gard *(appointed 18 January 2010)*

William Lovering

Robert Sinclair *(appointed 7 July 2010)*

David Salter *(resigned 18 January 2010)*

Debbie Calderwood *(resigned 31 January 2011)*

Artemis Corporate Services Limited

Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements for the Group in accordance with applicable Guernsey law and regulations. Guernsey legislation requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year.

The Directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

International Accounting Standard 1 requires that the financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transaction, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of financial statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. A fair presentation also requires the directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the financial statements on a going concern basis unless, having assessed the ability of the Group to continue as a going concern, management either intends to liquidate the entity or to cease trading, or have no realistic alternative to do so.



Directors' Statement as to Disclosure of Information to Auditors

Each of the Directors, who were all members of the Board at the time of approving the financial statements, confirms that having made enquiries of fellow Directors:

- *So far as the Directors are aware, there is no relevant information of which the Company's Auditors are unaware; and*
- *They have taken all the steps that ought to have been taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.*

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board

Artemis Secretaries Limited

Secretary

Date: 30th June 2011



Independent Auditor's Report

TO THE MEMBERS OF TORO GOLD LIMITED

We have audited the financial statements of Toro Gold Limited for the year ended 31 December 2010 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law 2008. Our audit work is 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 the Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement within the Directors' Report, 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

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 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 Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent misstatements or inconsistencies we consider the implications for our report.

Opinion on the Financial Statements

In our opinion the financial statements:

- *give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the year then ended;*
- *have been properly prepared in accordance with IFRS as adopted by the European; and*
- *have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law 2008.*



Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law 2008 requires us to report to you if, in our opinion:

- *proper accounting records have not been kept by the company; or*
- *the financial statements are not in agreement with the accounting records; or*
- *we have failed to obtain all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purposes of our audit.*

BDO LLP

London

United Kingdom

Date: 30th June 2011

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

Consolidated statement of comprehensive income*for the year ended 31 December 2010*

	Note	Year ended 31 December 2010 US\$'000	Period ended 31 December 2009 US\$'000
Administrative expenses	5	(2,844)	(1,589)
Loss from operations before and after taxation	3	(2,844)	(1,589)
Loss and total comprehensive loss for the year		(2,844)	(1,589)
<i>Loss and total comprehensive loss for the year attributable to:</i>			
Owners of the parent		(2,747)	(1,506)
Non-controlling interest		(97)	(83)
		(2,844)	(1,589)

The notes on pages 23 to 37 form part of these financial statements.

Consolidated statement of financial position

at 31 December 2010

	Note	2010 US\$'000	2010 US\$'000	2009 US\$'000	2009 US\$'000
Assets					
Non-current assets					
Property, plant and equipment	7	172		27	
Intangible assets	8	2,903		268	
Total non-current assets			3,075		295
Current assets					
Trade and other receivables	10	412		18	
Cash and cash equivalents	11	2,016		2,114	
Total current assets			2,428		2,132
Total assets			5,503		2,427
Equity and liabilities					
Current liabilities					
Trade and other payables	12	350		1,087	
Other financial liabilities	13	740		-	
Total current liabilities			1,090		1,087
Equity and reserves					
Share capital	15	57		25	
Share premium	15	7,734		2,613	
Other reserves	16	225		91	
Retained losses		(4,253)		(1,506)	
Equity attributable to the owners of the parent			3,763		1,223
Non-controlling interest			650		117
Total equity and reserves			4,413		1,340
Total equity and liabilities			5,503		2,427

The financial statements were approved and authorised for issue by the Board of Directors on 30th June 2011 and were signed on its behalf by:

Martin Horgan
Director

Adonis Pouroulis
Director

The notes on pages 23 to 37 form part of these financial statements.

Consolidated statement of cash flows*for the year ended 31 December 2010*

	Year ended 31 December 2010 US\$'000	Period ended 31 December 2009 US\$'000
Cash flows from operating activities		
Loss before tax	(2,844)	(1,589)
<i>Adjusted for:</i>		
Depreciation	11	2
Share based payments	810	291
Movement in fair value of warrants	52	-
Operating loss before changes in working capital	(1,971)	(1,296)
Movement in receivables	(394)	(18)
Movement in payables	(737)	1,087
Net cash outflow from operations	(3,102)	(227)
Cash flow from investing activities		
Acquisition of intangible assets	(2,620)	(267)
Acquisition of property, plant and equipment	(171)	(30)
Cash outflow used in investing activities	(2,791)	(297)
Cash flow from financing activities		
Issue of ordinary shares	5,795	2,638
Net cash flow from financing activities	5,795	2,638
Net change in cash and cash equivalents	(98)	2,114
Cash and cash equivalents at the start of the year	2,114	-
Cash and cash equivalents at the end of the year	2,016	2,114

The notes on pages 23 to 37 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2010

	Share capital US\$'000	Share premium US\$'000	Other reserves US\$'000	Retained losses US\$'000	Non- controlling interest US\$'000	Total US\$'000
Group						
On incorporation	–	1	–	–	–	1
Loss for the period	–	–	–	(1,506)	(83)	(1,589)
Total comprehensive loss for the year	–	–	–	(1,506)	(83)	(1,588)
Issue of share capital	25	2,612	–	–	–	2,637
Share based payments	–	–	291	–	–	291
Reallocation of share based payments to non-controlling interest	–	–	(200)	–	200	–
Balance at 31 December 2009	25	2,613	91	(1,506)	117	1,340
Total comprehensive loss for the year	–	–	–	(2,747)	(97)	(2,844)
Issue of share capital	32	5,971	–	–	–	6,003
Issue cost – cash	–	(207)	–	–	–	(207)
Issue cost – warrants	–	(688)	–	–	–	(688)
Share based payment – shares for services	–	45	–	–	–	45
Share based payment – options	–	–	764	–	–	764
Reallocation of share based payments to non-controlling interest	–	–	(630)	–	630	–
Balance at 31 December 2010	57	7,734	225	(4,253)	650	4,413

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

Share capital:	Amount subscribed for share capital at nominal value
Share premium:	Amount subscribed for share capital in excess of nominal value
Other reserves:	Reserve in respect of share based payments
Retained losses:	Cumulative net gains and losses recognised in the statement of total comprehensive income
Non-controlling interest:	Represents a 20 % shareholding in Bambuk Minerals Limited

The notes on pages 23 to 37 form part of these financial statements.

Notes forming part of the financial statements for the year ended 31 December 2010

1 | Basis of preparation

IAS 8 requires management to use its judgement in developing and applying accounting policies that result in information which is relevant to the economic decision-making needs of users; that are reliable, free from bias, prudent, complete and represent faithfully the financial position, financial performance and cash flows of the entity.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations issued by the International Accounting Standards Board (IASB) adopted by the European Union (IFRS). The adoption of all of the new and revised Standards and Interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to the operations and effective for annual reporting periods beginning on 1 January 2010 are reflected in these financial statements.

The Group has sufficient cash resources to support minimum spend requirements and general overheads. The directors may, subject to market conditions, seek to raise additional funds to accelerate exploration work. As a result the going concern basis has been adopted in preparing the financial statements and the directors have no reason to believe that the Group will not be a going concern in the foreseeable future based on forecasts and available cash resources.

2 | Accounting policies of Toro Gold Limited

As at incorporation on 6 March 2009 the Company adopted all applicable IFRSs.

New standards, amendments to published standards and interpretations to existing standards effective in 2010 and adopted by the Group

Except as noted, the implementation of these standards is not expected to have a material effect on the Group:

Standard	Effective Date	Impact on initial application
IAS 27 - Amendment - Consolidated and Separate Financial Statements	1 July 2009	<p>The amendment affects the acquisition of subsidiaries achieved in stages and disposals of interests. Amendment does not require the restatement of previous transactions.</p> <p>During the year, there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity; there have been no transactions with non-controlling interests.</p>
IFRS 3 - Revised - Business Combinations	1 July 2009	<p>The revision to IFRS 3 introduced a number of changes in accounting for acquisition costs and recognition of intangible assets in business combinations. The revised standard does not require the restatement of previous business combinations.</p> <p>During the year, there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity; there have been no transactions with non-controlling interests.</p>

Notes forming part of the financial statements for the year ended 31 December 2010 (continued)

Standard	Effective Date	Impact on initial application
IAS 39 – Amendment - Financial Instruments: Recognition and Measurement: Eligible Hedged Items	1 July 2009	<p>The amendment clarifies the principles for determining eligibility of hedged items.</p> <p>The amendment did not have any impact on the current or prior years' financial statements. Future transactions will be accounted for consistently with this amendment.</p>
IFRS 2 - Amendment - Group Cash-settled Share-based Payment Transactions	1 January 2010	<p>The amendment clarifies that where a parent (or another group entity) has an obligation to make a cash-settled share-based payment to another group entity's employees or suppliers, the entity receiving the goods or services should account for the transaction as equity – settled.</p> <p>The amendment did not have any impact on the current or prior years' financial statements. Future transactions will be accounted for consistently with this amendment.</p>
'Additional exemptions for first-time adopters' (Amendment to IFRS 1)	1 January 2010	This is not relevant to the Group as it is an existing IFRS preparer.
Improvements to IFRS (2009)	Generally 1 January 2010	The improvements in this Amendment clarify the requirements of IFRS and eliminate inconsistencies within and between Standards. The improvements did not have any impact on the current or prior years' financial statements.
IFRIC 17 - Distributions of Non-cash Assets to Owners	1 January 2010	<p>The interpretation provides guidance on how to measure distribution of assets other than cash.</p> <p>The application of this interpretation did not have any impact on the current or prior year's financial statements. Future transactions will be accounted for consistently with this interpretation.</p>
IFRIC 18 - Transfer of Assets from Customers	1 January 2010	<p>The interpretation clarifies the treatment of agreements in which an entity receives from a customer an item of property that it must use to provide the customer with an on-going access to goods or services.</p> <p>The application of this interpretation did not have any impact on the current or prior year's financial statements. Future transactions will be accounted for consistently with this interpretation.</p>
IFRIC 9/ IAS 39 - Amendment - Embedded Derivative	1 January 2010	<p>The amendment clarifies the treatment of embedded derivatives in host contracts that are classified out of fair value through profit or loss.</p> <p>The application of this interpretation did not have any impact on the current or prior year's financial statements. Future transactions will be accounted for consistently with this interpretation.</p>
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	1 January 2010	<p>The interpretation provides guidance for application of hedge accounting in foreign operations.</p> <p>The application of this interpretation did not have any impact on the current or prior year's financial statements. Future transactions will be accounted for consistently with this interpretation.</p>



No other IFRS issued and adopted but not yet effective are expected to have an impact on the Group's financial statements.

Standards, amendments and interpretations, which are effective for reporting periods beginning after the date of these financial statements which have not been adopted early:

Standard	Description	Effective Date
IAS 32	Amendment - Classification of Right Issues	1 Feb 2010
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 Jul 2010
IFRS 1	Amendment - First Time Adoption of IFRS	1 Jul 2010
IAS 24	Revised - Related Party Disclosures	1 Jan 2011
IFRIC 14	Amendment - IAS 19 Limit on a defined benefit asset	1 Jan 2011
IFRS 7 *	Amendment - Transfer of financial assets	1 Jul 2011
IFRS 1 *	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 Jul 2011
Improvements to IFRS (2010) *	Miscellaneous amendments resulting from the IASB's annual improvements projects	1 Jan 2011
IAS 12 *	Deferred Tax: Recovery of Underlying Assets	1 Jan 2012
IFRS 9 *	Financial instruments	1 Jan 2013
IFRS 10 *	Consolidated financial statements	1 Jan 2013
IFRS 11 *	Joint arrangements	1 Jan 2013
IFRS 12 *	Disclosure of Involvement with Other Entities	1 Jan 2013
IFRS 13	Fair value measurement	1 Jan 2013
IAS 28	Investments in Associates (revised 2011)	1 Jan 2013
IAS 27	Separate Financial Statements (revised 2011)	1 Jan 2013

**not yet been endorsed by the European Union at the date that these financial statements were approved and authorised for issue by the Board.*

The Group has not yet assessed the impact of IFRS 9. All other amendments and interpretations are not expected to materially affect the Group's reporting or reported numbers.

Notes forming part of the financial statements for the year ended 31 December 2010 (continued)

Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the result of the Company and its subsidiaries (the "Group") as if they formed a single entity. Inter-company transactions and balances between group companies are therefore eliminated in full.

Functional and presentation currency

The Company's functional currency is US Dollars and it has adopted US Dollars as its presentation currency.

Foreign currencies

In the accounts of individual Group companies, Toro translates foreign currency transactions into the functional currency at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in currencies other than US dollar are translated at the year end exchange rate with any exchange gain or loss going to profit or loss.

On consolidation, the results of overseas operations are translated into US\$ at rates approximating to those when the transactions took place.

Intangible assets

Intangible assets consist of mining leases and options to acquire mining leases, mineral production rights and options to acquire mineral production rights, exploration licences and capitalised exploration and evaluation expenditure.

Amortisation is calculated so as to write off the cost of an intangible asset over the useful economic life of that asset. The useful life of mineral rights and related capitalised exploration and evaluation costs is not determined until a mining lease or mineral production right is acquired, with the useful life then being the lesser of the remaining term of such mining lease or mineral production right and the commercial production life of the site in respect of which such mining lease or mineral production right is held.

Amortisation is effected on a straight line or units of production basis with effect from the date on which commercial production activities commence, as appropriate.

Exploration and evaluation

In line with IFRS 6 'Exploration for and Evaluation of Mineral Resources', exploration and evaluation expenditure has been capitalised as an intangible asset. This expenditure comprises:

- *acquisition of rights to explore*
- *topographical, geological, geochemical and geophysical studies*
- *exploratory drilling*
- *trenching*
- *sampling; and*
- *activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource*

Capitalisation of exploration and evaluation expenditure commences on the acquisition of a right to explore a specific area or evaluate a mineral resource, either by means of the acquisition of an exploration licence or an option to a mineral right. Capitalisation ceases either on the acquisition of a mining lease or mineral production right in respect of that specific area or mineral resource or the making of a decision by management of the Group as to the technical feasibility or economic viability of conducting mining operations in that specific area or extracting the mineral resource being evaluated.



Where it is decided by management of the Group that it is not technically feasible or economically viable to conduct mining operations in a specific area or to extract the mineral resource being evaluated, then capitalised exploration and evaluation expenditure attributable to the exploration and evaluation of that specific area or mineral resource, as the case may be, capitalised up to the date of making such a decision, is written off and any further exploration and evaluation expenditure incurred in respect thereof is charged to the income statement as and when incurred.

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost.

Depreciation is provided on all items of property, plant and equipment so as to write off the carrying value of an item, less its estimated residual value, on a straight-line basis over the expected useful economic life of that item as follows:

<i>Plant and equipment</i>	<i>– 25% per annum</i>
<i>Vehicles</i>	<i>– 25% per annum</i>
<i>Office equipment</i>	<i>– 25% per annum</i>

The estimated useful lives, residual values and depreciation method are reassessed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Share - based payments

Where equity settled options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated statement of comprehensive income over the vesting period.

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 statement of comprehensive income over the remaining vesting period.

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

Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of the fair value less costs to sell and value in use.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement. After such a reversal the depreciation or amortisation charge is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The Directors have reviewed the carrying value of intangible assets and assessed that there is no impairment as at 31 December 2010.

Financial instruments

Financial assets

The Company has classified its financial assets into one category, 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 and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Loans and receivables as at 31 December 2010 and as at 31 December 2009 are other receivables and cash and cash equivalents which comprise cash held at call with banks and cash in hand. Short term deposits comprise deposits made for varying years of between one day and three months.

Notes forming part of the financial statements for the year ended 31 December 2010 (continued)

Financial liabilities

The Company classifies its financial liabilities into one of two categories, trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method and other financial liabilities which are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income.

The carrying value of each category of financial instruments is as follows:

	2010 US\$'000	2009 US\$'000
<i>Loans and receivables</i>		
Other receivables	377	16
Cash	2,016	2,114
<i>Financial liabilities</i>		
Trade payables	(155)	(176)
Other financial liabilities	(740)	-

The fair value of each category of financial instruments approximates its carrying value.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The Group and Company operate through companies resident in zero % tax rate jurisdictions and therefore there are no corporate or deferred taxation charges, assets or liabilities as at 31 December 2010.

Provisions

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, yet the timing or amount of the obligation is uncertain. Discounting is applied if material. The Group has no provisions as at 31 December 2010.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The key judgements in the application of accounting policies in the year are set out below:

Exploration and evaluation costs

Under the successful efforts based method of accounting, the Group capitalises the exploration and evaluation costs until it is capable of determining whether its exploration efforts were successful and are assessed for impairment when circumstances suggest that the carrying amount may exceed the recoverable value thereof. This assessment involves judgement as to the likely future commerciality of the asset and when such commerciality should be determined as well as future revenues and costs pertaining to the utilisation of the mining lease or mineral production rights to which such capitalised costs relate and the discount rate to be applied to such future revenues and costs in order to determine a recoverable value.

The carrying amount of capitalised exploration and evaluation costs as at 31 December 2010 was US\$2,903,000 (2009: US\$268,000).

Share – based payments

Directors' best estimates of the valuations underlying the share – based payments are based on assumptions as set out in note 16 to the financial statements.

3 | Loss from operations

	Year ended 31 December 2010 US\$'000	Period ended 31 December 2009 US\$'000
<i>The loss from operations is stated after:</i>		
Share based payments	809	291
Depreciation	11	2
<i>Auditor's remuneration:</i>		
Fee payable to the auditor for the audit of the Group and subsidiary annual financial statements	34	16

4 | Staff costs and directors' remuneration

	Year ended 31 December 2010 US\$'000	Period ended 31 December 2009 US\$'000
<i>(a) Staff costs, including directors</i>		
Directors' fees and emoluments	117	11
Wages and salaries - staff costs	1,177	261
Social security costs	245	24
Share based payments	764	291
	2,303	587

Included in staff costs is an amount of US\$759,000 (2009: US\$58,000) in respect of capitalised costs (intangible assets - exploration and evaluation costs). The average monthly number of employees during the year was 35 (2009 - 11).

	Year ended 31 December 2010 US\$'000	Period ended 31 December 2009 US\$'000
<i>The loss from operations is stated after:</i>		
<i>(b) Key management remuneration</i>		
Short term employee benefits	600	143
Share based payments	764	245
	1,364	388

Key management comprises 1 executive director (2009:1) and 5 (2009:2) members of senior management across the parent and subsidiary companies.

Notes forming part of the financial statements for the year ended 31 December 2010 (continued)

5 | Expenses by nature

	Year ended 31 December 2010 US\$'000	Period ended 31 December 2009 US\$'000
Legal and professional fees	260	688
Share based payments	809	291
Wages and salaries - staff costs	582	207
Administration services	149	89
Consultants and contractors	84	87
Travel and related costs	179	45
Loss on foreign exchange	162	47
Movement in fair value of warrants	52	-
Social security costs	81	20
Rent and rates	168	11
Directors' fees and emoluments	117	11
Depreciation	11	4
Other costs	190	89
	2,844	1,589

6 | Taxation

Reconciliation of the total tax charge

The Company is tax resident in Guernsey, where corporate profits are taxed at zero percent. The subsidiary company is a BVI resident company where corporate profits are also taxed at zero percent. As a result there is no current or deferred taxation charge arising in the Group for the year ending 31 December 2010.

7 | Property, plant and equipment

	Plant and equipment US\$'000	Vehicles US\$'000	Office equipment US\$'000	Total US\$'000
<i>Cost</i>				
At 1 January 2010	-	15	15	30
Additions	81	52	38	171
At 31 December 2010	81	67	53	201
<i>Depreciation</i>				
At 1 January 2010	-	1	2	3
Depreciation	3	12	11	26
At 31 December 2010	3	13	13	29
<i>Net book value</i>				
At 31 December 2010	78	54	40	172
At 31 December 2009	-	14	13	27

For the year ended 31 December 2010 US\$15,000 (2009: US\$1,000) of the depreciation charge has been capitalised within exploration and development costs.

8 | Intangible assets

	Exploration and Development Costs US\$'000
<i>Cost</i>	
On incorporation	-
Additions during the period	268
At 31 December 2009	268
Additions during the year	2,635
At 31 December 2010	2,903

Exploration and development costs relate to exploration projects in Guinea, Senegal and Sudan. As the projects are not yet in production no amortisation has been charged for the year ended 31 December 2010.

Notes forming part of the financial statements for the year ended 31 December 2010 (continued)

9 | Investments

Details of the investments in which the Group and the Company (unless indicated) holds 50 % or more of the nominal value of any class of share capital are as follows:

Name of company	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
Bambuk Minerals Limited	British Virgin Islands	Ordinary shares	80 %	Exploration company
Toro East Africa Limited	Guernsey	Ordinary shares	100 %	Exploration company
Toro Technical Services Limited	United Kingdom	Ordinary shares	100 %	Services company

10 | Other receivables

	2010 US\$'000	2009 US\$'000
Other receivables	377	16
Prepayments	35	2
	412	18

11 | Cash and cash equivalents

	2010 US\$'000	2009 US\$'000
<i>Analysis by currency</i>		
Sterling balance	1,675	1,820
US Dollar balance	162	236
West African CFA Franc balance	109	52
Euro balance	50	6
Other balances	20	-
	2,016	2,114

12 | Trade and other payables

	2010 US\$'000	2009 US\$'000
Trade payables	155	176
Prepaid share capital	162	881
Accruals	33	30
	350	1,087

Prepaid share capital relates to cash received prior to 31 December 2010 for 50,000 shares (2009: 366,479 shares) that were subsequently issued in 2011.

All trade payables are due for payment within 30 days. Trade payables arise in a number of different currencies, as set out below:

	2010 US\$'000	2009 US\$'000
Pounds Sterling	151	141
Canadian Dollars	4	35
	155	176

13 | Other financial liabilities

	2010 US\$'000	2009 US\$'000
Liabilities at fair value through profit or loss	740	-
	740	-

Other financial liabilities of US\$740,000 represent the estimated fair value at 31 December 2010 of the £2.25 warrants issued to each subscriber of new shares in May 2010. The initial recognition of the fair value has been charged to Share Premium with subsequent movements in fair value being charged to the consolidated statement of comprehensive income (see note 16).

Notes forming part of the financial statements for the year ended 31 December 2010 (continued)

14 | Financial risk management

Liquidity Risk

The main financial risk facing the Group is the availability of adequate funding. In keeping with similar sized exploration groups, its continued future operations depend on the ability to raise sufficient working capital. The Group finances itself through the issue of equity share capital and has no borrowings. Management monitors its cash and funding requirements through the use of ongoing cash forecasts.

Cash is held on short term deposits so that it is readily available for the payment of liabilities.

Credit Risk

Credit risk is the risk that counterparty fails to discharge its obligations in respect of a financial instrument. The Group has no significant financial assets except for cash and cash equivalents.

In relation to its cash and cash equivalents, the Group has to manage its currency exposures and the credit risk associated with the credit quality of the financial institutions in which the Group maintains its cash resources. The Group ensures that cash balances are held with reputable financial institutions within the countries in which it operates.

Currency Risk

Foreign exchange risk arises because the Group is operating in parts of the world where the primary currency is not US Dollars and therefore foreign exchange risk arises on transactions entered into in a currency other than the functional currency of US Dollars.

The Group primarily settles its liabilities in either sterling or US Dollars. Cash balances and liabilities by currency as at 31 December 2010 are set out in notes 11 and 12 respectively; the impact of a 10% movement in currencies against the US Dollar would not have a material impact on the financial statements and therefore no quantitative data is stated below.

In the case of the funding of non-current assets such as the development of ore processing facilities which results in material levels of capital expenditure, the Group will seek to raise these funds in US Dollars.

However, the Group has no formal policy in respect of foreign exchange risk. Currency exposure is reviewed on an ad hoc basis. Unrealised gains and losses arising on the translation of monetary assets and liabilities arising in currencies other than the US Dollar are included within the consolidated statement of comprehensive income.

Capital

The Group seeks to maintain sufficient capital to enable its growth and safeguard its ability to continue as a going concern in order to provide returns for shareholders and to fund exploration opportunities.

15 | Share capital

As at 31 December 2010, the total issued share capital of Toro Gold Limited is comprised of 3,618,046 ordinary shares, 120,000 (2009: 10,000) of which were unpaid. The shares have a nominal value of £0.01p per ordinary share. The Company's authorised share capital is unlimited.

	Number of ordinary shares	Share capital US\$'000	Share Premium US\$'000	Total US\$'000
Shares issued on incorporation	100	-	1	1
Shares issued during the period	1,574,800	25	2,612	2,637
At 31 December 2009	1,574,900	25	2,613	2,638
Shares issued for cash	2,029,146	32	5,076	5,108
Issue of shares for consulting services	14,000	-	45	45
At 31 December 2010	3,618,046	57	7,734	7,791

The fair value of shares issued for consulting services was determined by reference to market rate for similar consulting services.

As at 31 December 2010 there were options and warrants in issue over 1,325,769 (2009: 277,269) shares.

16 | Share based payments

	Number	Weighted Average Price	Weighted Average Life
<i>Issued in period to 31 December 2009</i>			
Share options issued in the period	192,269	1.75	5.0
Warrants issued during the period	85,000	1.46	3.0
In issue at 31 December 2009	277,269	1.66	4.4
Warrants issued during the year	1,048,500	2.25	2.0
In issue at 31 December 2010	1,325,769	2.13	2.5

All of the share options and warrants in issue as at 31 December 2010 were exercisable. The weighted average remaining contractual life of the options and warrants in issue as at 31 December 2010 was 2.5 years with a range of exercise prices from £1.25 to £2.25.

(a) Share Option Scheme

During 2009 the Company implemented the Toro Gold Option Plan ("Plan"). The Plan gives the Directors discretion to grant options up to a maximum of 10% of the Company's issued share capital. The Plan provides that the exercise price to be not less than the Market Value at the date of grant. No option shall be exercisable before the expiration of six months from the date of grant when half of the share options become exercisable with the remainder of the share options becoming exercisable after twelve months. No option is exercisable more than five years after the date of grant.

On 1 November 2009 the Company issued 192,269 options giving rise to a charge to the Statement of Comprehensive Income of US\$45,000 in 2009 and US\$134,000 in 2010. No options were issued in 2010. The options issued in 2009 were valued using the Black-Scholes model using the following inputs:

	2009
Share price	£1.50
Exercise price	£1.75
Expected volatility	50%
Expected life	5 years
Risk free rate	2.73%
Expected dividends	0%
Estimated fair value	£0.57

The fair value was translated to US\$1.17 per share option (at an exchange rate of 1.65). At 31 December 2010 all of the options were outstanding and exercisable.

Notes forming part of the financial statements for the year ended 31 December 2010 (cont)

(b) Warrants

During the year the Company issued 1,048,500 warrants (2009:85,000). The estimated fair value of each warrant and the inputs used in the Black-Scholes model to calculate the fair values are as follows:

	May 2010	August 2009	November 2009
Share price	£2.00	£1.00	£1.25
Exercise price	£2.25	£1.25	£1.50
Expected volatility	50%	50%	50%
Expected life	2 years	3 years	3 years
Risk free rate	2.60%	2.73%	2.73%
Expected dividends	0%	0%	0%
Estimated fair value	£0.46	£0.26	£0.42

The fair value of the warrants issued in 2010 was translated to \$ 0.66 per warrant (at an exchange rate of 1.44). The fair value charge of US\$688,000 has been charged to Share Premium as a cost of raising equity.

At 31 December 2010 all of the warrants were outstanding and exercisable.

(c) Non-controlling interest

A share based payment charge of US\$630,000(2009: US\$200,000) has arisen in the year in respect of the shares issued by Bambuk Minerals Limited ("Bambuk"), equivalent to 20% of the entire issued share capital of Bambuk, for nil consideration to a trust the beneficiaries of which are principally Dr Jonathan Forster, CEO of Bambuk Minerals and Craig Banfield, CFO of Bambuk Minerals Ltd.

17 | Contingencies and capital commitments

The Group had no contingent liabilities.

On 2 October 2009 the Group entered via its subsidiary company Bambuk into a joint venture with Japan Mining Company SARL ("JMC"), a company duly incorporated in Guinea, in respect of the 200 square kilometres Guilengbe Permit in eastern Guinea.

Upon approval of the underlying joint venture agreement by the Minister of Mines in Guinea on 9 October 2009 the Group paid €70,000 (seventy thousand Euros) to JMC. The Group will continue to make annual payments of €140,000 to JMC until such time as it has either withdrawn from the joint venture or earned a 60% interest (prior to any free carried interest of the government of Guinea) in the Guilengbe Permit by completing a sole funded Scoping Study and making payment of €1,400,000 to JMC. The Company may increase its interest in the Guilengbe Permit to 100% (prior to any free carried interest of the government of Guinea) by completion and submission to government of a sole funded Bankable Feasibility Study and making payment of €2,100,000 to JMC.

18 | Related party transactions

Pursuant to an agreement dated 7 April 2009, Artemis Trustees Limited, a company of which Mr Robert Sinclair is a Director and of which Mrs Debbie Calderwood was a Director until 31 January 2011, was appointed by the Company to provide administration and secretarial services. Fees are chargeable on a time spent basis, calculated by reference to time, work type and skills involved in providing the services. Fees invoiced during the year totalled £96,149 of which £23,981 was outstanding at the year end and paid in February 2011.



19 | Events after the reporting date

In March 2011 the Company raised £7.5 million before issue costs by the issue of 2.5 million new ordinary shares at £3 per share.

Since 31st December 2010 the Directors have granted options over 398,000 shares under the Toro Gold Share Option Plan.

The Company through its newly established subsidiary Toro Gold (Gabon) Limited has agreed a joint venture with Mineroil Limited in respect of three exclusive exploration licences for gold in Gabon. Two of the licence areas have been granted and field work will commence in July 2011.



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