

Azumah Resources Limited

ABN 72 112 320 251

Annual Report

for the year ended 30 June 2010

Corporate Information

ABN 72 112 320 251

Directors

Michael Atkins (Non-executive Chairman)

Stephen Stone (Managing Director)

Geoffrey Jones (Non-executive Director)

Company Secretary

Dennis Wilkins

Registered Office

Suite 1, 2 Richardson Street

WEST PERTH WA 6005

Telephone: +61 8 9486 7911

Facsimile: +61 8 9486 4417

Solicitors

Blakiston & Crabb

1202 Hay Street

WEST PERTH WA 6005

Bankers

National Australia Bank Limited

1232 Hay Street

WEST PERTH WA 6005

Barclays Bank of Ghana Ltd

High Street

Accra GHANA

Share Register

Security Transfer Registrars Pty Ltd

770 Canning Highway

APPLECROSS WA 6153

Telephone: (08) 9315 2333

Facsimile: (08) 9315 2233

Auditors

BDO Audit (WA) Pty Ltd

38 Station Street

SUBIACO WA 6008

Internet Address

www.azumahresources.com.au

Stock Exchange Listing

Azumah Resources Limited shares are listed on the Australian Securities Exchange (ASX code: AZM).

Contents

Chairman's Letter	3
Directors' Report	4
Auditor's Independence Declaration	14
Corporate Governance Statement	15
Consolidated Statement of Comprehensive Income	19
Consolidated Statement of Financial Position	20
Consolidated Statement of Changes in Equity	21
Consolidated Statement of Cash Flows	22
Notes to the Consolidated Financial Statements	23
Directors' Declaration	43
Independent Auditors' Report	44
ASX Additional Information	46

Chairman's Letter

Dear Shareholder,

I am extremely pleased to report on the tremendous progress that has been made this past year by your Company, Azumah Resources Limited, and to confirm that everything is in place for this growth and success to continue.

Azumah has performed strongly on several key fronts and is now a highly regarded West Africa gold explorer that is well positioned to join the ranks of producers.

The Company can now boast a market capitalisation exceeding A\$140M, a six fold improvement on this time last year.

An intense focus on exploration and in particular drilling over the last year has seen the Company steadily grow its JORC reported inferred and indicated gold resources by six fold to 1.2Moz at its 100% owned, Wa Gold Project in Ghana's north west. These resources are open ended and the Company has only explored some 5% -10% of its massive, largely contiguous 3,200km² property and even that area still presents lots of untapped opportunity.

The Company recently received the data from the first high resolution aeromagnetic survey over its property and this will provide an important backdrop upon which to assess existing targets and to generate new ones.

Azumah is on track to complete 100,000m of aircore, RC and diamond drilling for the calendar year end December 2010 and will commence the next field season with a budget to increase this to a massive 250,000m by the financial year end June 2011. It has already secured the drilling rigs and is scaling up its support infrastructure to facilitate this huge undertaking.

This drilling is focused not just on increasing resources per se but on delivering near-surface, open pitable, high-margin, mineable ounces to underpin the fast-track development of what will be the first stand-alone gold mining operation in the region.

Azumah has already built an inventory of preliminarily optimised resources to support a six year operation producing between 70,000 and 100,000 ounces gold per year, so is very close to achieving the threshold that it needs to enable it to make a production decision.

The GFC was only 18 months ago and whilst the outlook all looks rosy for gold right now Azumah believes it is prudent to take advantage of the prevailing convergence of a strong gold price and very keen equity and finance markets to bring the Wa Gold Project into production whilst the 'planets are all aligned'. In doing so it would be strategically establishing itself as the only producer in the north west Ghana region and would also be following in the footsteps of several successful West African producers that have then gone on to substantially grow their operations in parallel with growth in their resources.

The Company's Feasibility Study is on track for completion in early 2011 which, on the basis that this will be positive, will position Azumah to secure financing and, subject to permitting approvals, commence the construction of a gravity/CIL gold recovery plant that it hopes to commission in mid 2012.

Azumah management has also been working hard to increase the Company's profile amongst the worldwide investment community and this is reflected in a six fold increase in shareholders, an order of magnitude increase in the daily turnover of its shares and a number of leading European and North American institutional investors joining its share register.

Successful companies are about having the right people and I am pleased to see that management under the leadership of Managing Director, Stephen Stone, is growing a team of highly regarded, dedicated and very experienced Australian and Ghanaian professionals across a range of disciplines, who are all very clear and enthusiastic about their role in Azumah's business plan. These people are supported by several established contracting and specialist consulting groups who are all very experienced with operating in Ghana.

Having submitted to the Ghana government its Environmental and Social Impact Scoping Study, Azumah has been holding community consultations and will step these up as it moves to gain critical environmental permitting. It is also engaging with the local community through the direct and indirect employment of many otherwise unemployed people, installation of water wells and also the provision of sporting equipment to local schools.

An investment in Azumah can provide a tremendous leverage to the gold price and to exploration success and my fellow directors and I can only see that the year ahead for Azumah will again be an extremely productive and exciting one. I look forward to you joining me in participating in the success that I am confident the Company will be able to deliver on behalf of you, its shareholders.

Michael Atkins
Chairman
30 September 2010

Directors' Report

Your directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Azumah Resources Limited and the entities it controlled at the end of, or during, the year ended 30 June 2010.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Where applicable, all current and former directorships held in listed public companies over the last three years have been detailed below. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Michael Atkins, B.Comm, FCA, Non-executive Chairman, appointed 20 October 2009

Mr Atkins is presently Director – Corporate Finance at a leading Australian financial services and stockbroking firm, Patersons Securities Limited, and provides corporate advisory services covering mergers and acquisitions, capital raising and debt financing.

He is also currently Non-Executive Chairman of ASX-listed gold companies Westgold Resources NL and Legend Mining Limited, and a Non-Executive Director of Matsa Resources Ltd.

He has been involved with the formation of, capital raising for, and executive management of many emerging ASX-listed Australian companies with operations in SE Asia, Africa, North America and Australia with a particular focus on the minerals and petroleum sectors. This included founding Executive Chairman of ASX listed Gallery Gold Ltd, since taken over by Iamgold Corporation, that discovered and operated the 100,000 ounces per annum Mupane gold mine in Botswana.

Stephen Stone, BSc (Hons) Mining Geology, MAusIMM, FAICD, Managing Director

Mr Stone graduated with honours in Mining Geology from University of Wales, Cardiff and has since gained over 30 years operating, project evaluation, executive management and corporate development experience in the international mining and exploration industry.

Mr Stone worked for several years at the large open pit and underground copper mines of the Zambian Copperbelt. He came to Australia in 1986 and since then has established, acquired projects and raised capital for several listed junior explorers. He has travelled widely and has visited and evaluated many mining and exploration projects throughout the world.

He joined Azumah as its Non-Executive Chairman in November 2006, was appointed its Executive Chairman in December 2007 and Managing Director in October 2009.

Mr Stone is a Member of the Australasian Institute of Mining and Metallurgy, a Fellow of the Australian Institute of Company Directors, a member of the Editorial Board of International Mining Magazine and a non-executive director of Avalon Minerals NL.

Geoffrey Jones, Non-executive Director (Chairman of audit and remuneration committees), appointed 20 October 2009

Mr Jones is an engineer with over 25 years hands-on experience in the evaluation, design, development, commissioning and operation of major resource projects in Australia and overseas, especially in Central and West Africa, including Ghana.

He was Group Project Engineer for ASX-listed Resolute Limited with responsibility for the successful development of its Obotan Gold Project in Ghana, Golden Pride Gold Project in Tanzania, as well as the Chalice and Bullabulling Gold Projects in Western Australia. For all of these projects, his involvement ranged from feasibility study preparation through to development, commissioning and operations.

Michael Ivey was a director from the start of the year until his resignation on 21 October 2009.

Joe Ariti was a director from the start of the year until his resignation on 20 October 2009.

COMPANY SECRETARY

Dennis William Wilkins, B.Bus, AICD, ACIS

Mr Dennis Wilkins is an accountant who has been a director, company secretary or acted in a corporate advisory capacity to listed resource companies for over 20 years.

Mr Wilkins previously served as the Finance Director and Company Secretary for a mid tier gold producer and also spent five years working for a leading merchant bank in the United Kingdom. Resource postings to Indonesia, South Africa and New Zealand in managerial roles has broadened his international experience.

Mr Wilkins has extensive experience in capital raising specifically for the resources industry and is the principal of DWCorporate which provides advisory, funding and administrative management services to the resource sector. Mr Wilkins is a director of Key Petroleum Limited and Minemakers Limited. Mr Wilkins is a former director of Marengo Mining Limited and South Boulder Mines Limited within the last 3 years.

Directors' Report continued

Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Azumah Resources Limited were:

	Ordinary Shares	Options over Ordinary Shares
Michael Atkins	100,000	1,000,000
Stephen Stone	5,133,633	8,500,000
Geoffrey Jones	-	1,000,000

PRINCIPAL ACTIVITIES

During the year the Group carried out exploration on its tenements and applied for or acquired additional tenements with the objective of identifying gold and other economic mineral deposits.

There was no significant change in the nature of the Group's activities during the year.

DIVIDENDS

No dividends were paid or declared during the financial year. No recommendation for payment of dividends has been made.

REVIEW OF OPERATIONS

Azumah Resources Limited is an Australian Securities Exchange (ASX) listed junior resource company focused on exploring and developing the first stand-alone commercial scale gold mining operation at its 100% owned Wa Gold Project located in Ghana's emerging World class north-west gold province.

During the year the Company substantially increased its exploration and related operational activities to increase its gold inventory to support this objective. In parallel it is fast tracking a feasibility study to establish an initial 70,000oz per year gravity and CIL gold operation which is specifically designed to be easily expanded as more resources are outlined.

In regards to its exploration activities, Azumah:

- **Continued** its extensive regional reconnaissance mapping, prospecting and rock chip sampling campaigns and identified numerous new areas of interest requiring follow-up by broad spaced, shallow rapid reconnaissance aircore drilling and where targets are more specific, by RC drilling.
- **Discovered** new zones of near surface, high-grade gold mineralisation between the establish 516,000oz Kunche and 212,000oz Bepkong deposits and similarly to the west and south west of Kunche, to the north, west and south of Bepkong and at Bepkong North. Even though the Kunche-Bepkong camp has been the focus of most drilling to date this area still remains largely under-explored especially when recalling that Bepkong was a completely blind discovery with no outcrop or old artisanal workings to lead geologists into the area.
- **Delineated** to the east at the Julie licences a maiden resource of 350,100oz at the Julie deposit with more recent work showing this to be open in all directions and likely to be extended in the medium term.
- **Established** a maiden resource of 60,600oz at the Collette prospect which also remains open in all directions. To the southwest of Collette a southwest trending linear zone of anomalous mineralisation has been identified and further west at the new Kjersti prospect early reconnaissance drilling is identifying yet more zones of mineralisation.
- **Expanded** overall the project wide resource base by over 48% to 1.165Moz (refer Table 1).

Table 1 Summary of JORC Reported Resources Wa Gold Project

Prospect	Indicated			Inferred			Total		
	Tonnes	Grade g/t Gold	Contained Ounces Gold	Tonnes	Grade g/t Gold	Contained Ounces Gold	Tonnes	Grade g/t Gold	Contained Ounces Gold
Kunche	4,900,000	2.0	318,000	3,600,000	1.7	198,000	8,500,000	1.9	516,000
Bepkong	1,040,000	2.5	82,000	1,930,000	2.1	130,000	2,970,000	2.2	212,000
Julie	3,438,000	2.2	246,000	1,489,000	2.2	104,000	4,927,000	2.2	350,100
Collette				909,000	2.1	60,600	909,000	2.1	60,600
Atikpi				350,000	1.4	15,500	350,000	1.4	15,500
Yagha				270,000	1.2	10,800	270,000	1.2	10,800
Total	9,378,000	2.1	646,000	8,548,000	1.9	518,900	17,926,000	2.0	1,165,000

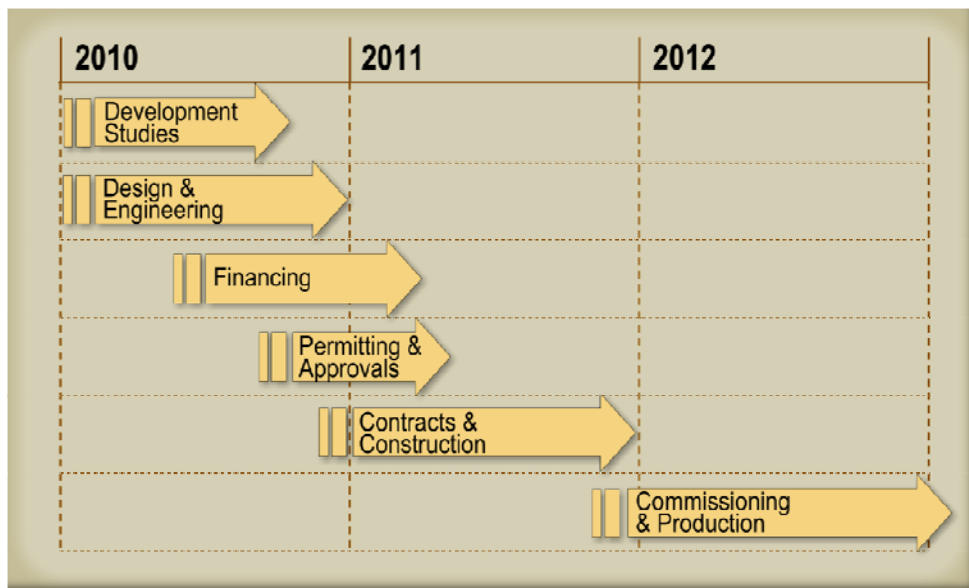
1. Kunche Mineral Resource estimate quoted for blocks with greater than 1.0g/t gold. Refer ASX release September 2006. Estimate

Directors' Report continued

- completed by Runge Limited (previously Resource Evaluations Ltd) in September 2006.
2. Bepkong, Atikipi and Yagha mineral Resource estimations quoted for blocks with grade of greater than 0.8 g/t gold. Estimation completed by CSA Global Pty Ltd in August 2008.
 3. Julie Mineral Resource estimate quoted for blocks with grade greater the 1.0g/t gold. Estimation completed by CSA Global Pty Ltd in March 2010.
 4. Collette mineral Resource estimate quoted for blocks with grade greater the 1.0g/t gold. Estimation completed by CSA Global Pty Ltd in September 2010.
 5. Details of the Bepkong, Atikipi and Yagha Mineral Resource estimations appear in ASX release dated 4th September 2008.
 6. Details of the Julie Mineral Resource estimation appear in ASX release dated 24th March 2010.
 7. Details of the Collette Mineral Resource estimation appear in ASX release dated 10th September 2010.
 8. Differences may apply due to rounding errors.
- **Completed** a plus 200,000 line Km, high-resolution aeromagnetic covering the Company's Vapor licence - which hosts the Kunché and Bepkong deposits - and the three Julie licences. This data has just been received and will provide an important backdrop upon which to assess existing exploration data and to generate new targets from. It will also provide a critical insight into the macro and micro structural geology which is the key determinant for the location of gold deposits in the region.
 - **Completed** a first pass orientation ground IP geophysical surveys over key target areas at Kunché and Bepkong. This data is now being assessed and early interpretations are already highlighting several areas with similar geophysical signatures to Kunché and Bepkong that have received little if any prior attention.
 - **Completed** the 100% acquisition of the Julie licences - three prospecting licences hosting the Julie, Collette and Josephine prospects. Azumah entered in a sales agreement with Crew Gold Corporation (Crew), whereby Azumah issued an initial 6,000,000 new ordinary Azumah shares to and more recently, upon the delineation of a plus 300,000oz JORC reported resource, a further 6,000,000 new ordinary shares. Crew is also entitled to a 1% royalty of gross receipts from the sale of gold exceeding 300,000oz produced from the licences.
 - **Committed** to complete a 250,000m combined aircore, RC and diamond core drilling campaign during the financial year ended June 2011.
 - **Grew** an excellent team of senior expat and Ghanaian geologists to drive the Company's exploration objectives. This highly experienced and enthusiastic team is supported by many Perth and site based geologists, technical specialists and technicians as well as a large logistical support crew.

In regards to its Feasibility Study, Azumah

- **Appointed** an in-hose Study Manager to coordinate the completion of a Feasibility Study by early 2011.
- **Appointed** a series of major and sub-consultants with considerable experience in Ghana and project studies generally to provide critical inputs into the Feasibility Study.
- **Completed** a wide range of preliminary and advanced stage metallurgical test work on representative samples of mineralisation from all zones of all key deposits to determine key operational cost inputs, important plant and infrastructure design criteria and capital costs.



Directors' Report continued

Metallurgical test work indicates extraction of gold from the favourable non-refractory mineralisation through conventional gravity/CIL processing yields between 90% and 95% gold recovery.

- Optimised preliminary open pits for the Kunche, Bepkong and Julie deposits which based on a gold price of US\$1,100/oz capture a combined plus 570,000oz at an average grade of 2.16g/t gold and a life of mine strip ratio of 4.8.

In regards to corporate activities, Azumah:

- **Raised** a combined A\$15.84 million through two share placements to overseas and local institutional and sophisticated investors.

Azumah successfully placed in November 2009 21.2 million new ordinary shares at 20 cents per share through Perth based Black Swan Equities Limited and Melbourne/ Sydney based BGF Securities to raise A\$4.24 million.

An additional A\$11.60 million was raised in June 2010 through the issue of 27.9 million new ordinary shares at 40 cents per share through Toronto based Clarus Securities, Melbourne/ Sydney based BGF Securities and Perth based Black Swan Equities Limited,

These raisings have introduced to the Azumah share register several leading north American, European and Australasian institutions.

Competent Persons Statement

The information in this report that relates to Exploration Results is based on information compiled by Mr Stephen Stone. Mr Stone is the Managing Director of Azumah Resources Limited. Mr Stone is a Member of The Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Stone consents to the inclusion in the report of the matters based on information in the form and context in which it appears.

The information in this report that relates to in-situ Mineral Resource estimates for Bepkong, Yagha, Atikpi and Collette is based on information compiled by Mr David Williams, an employee of CSA Global Pty Ltd, geological consultants. Mr Williams is the competent person for the Bepkong, Yagha, Atikpi and Collette estimates and takes overall responsibility for these. Mr Williams is a Member of The Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Williams consents to the inclusion in the report of the matters based on information in the form and context in which it appears.

The information in this report that relates to in-situ Mineral Resource estimate for Julie is based on information compiled by Mr Stephen Hodgson, an employee of CSA Global Pty Ltd, geological consultants. Mr Hodgson is the competent person for the Julie estimate and takes overall responsibility for this. Mr Hodgson is a Member of The Australian Institute of Geoscientists and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Hodgson consents to the inclusion in the report of the matters based on information in the form and context in which it appears.

The information in this presentation that relates to Mineral Resources at the Kunche Project is based on a resource estimate that has been audited by Mr Paul Payne, who is a full time employee of Runge Limited. Mr Payne is a Member of The Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Payne consents to the inclusion in the presentation of the matters based on information in the form and context in which it appears.

Forward Looking Statement

Statements regarding plans with respect to the Company's mineral properties are forward-looking statements. There can be no assurance that the Company's plans for development of its mineral properties will proceed as currently expected. There can also be no assurance that the Company will be able to confirm the presence of additional mineral deposits, that any mineralisation will prove to be economic or that a mine will successfully be developed on any of the Company's mineral properties.

All notes pertaining to the Kunche Mineral Resource estimation of September 2006, the Bepkong Mineral Resource estimation of September 2008, the Atikpi and Yagha Mineral Resource estimation of September 2008 and the Collette Mineral Resource estimation of September 2010 can be viewed at www.azumahresources.com.au

Finance Review

The Group began the financial year with a cash reserve of \$1,924,277. During July 2009 the Company issued 50,218,633 ordinary shares to raise \$4,519,677, during November 2009 a further 21,198,035 ordinary shares were issued raising \$4,239,607, and during June 2010 the Company completed a placement of 27,900,000 ordinary shares to raise \$11,160,000. Funds were used to actively advance the Group's projects located in Ghana, West Africa.

During the year total exploration expenditure incurred by the Group amounted to \$7,911,689. In line with the Company's accounting policies, all exploration expenditure was written off at year end. Net administration expenditure incurred amounted to \$2,330,599. This has resulted in an operating loss after income tax for the year ended 30 June 2010 of \$10,242,288 (2009: \$2,628,113).

At 30 June 2010 cash and cash equivalents totalled \$14,032,350.

Directors' Report continued

Operating Results for the Year

Summarised operating results are as follows:

	2010	
	Revenues	Results
	\$	\$
Consolidated entity revenues and loss from ordinary activities before income tax expense	314,411	(10,242,288)

Shareholder Returns

	2010	2009
Basic loss per share (cents)	(6.0)	(2.8)

Risk Management

The board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the board.

The Company believes that it is crucial for all board members to be a part of this process, and as such the board has not established a separate risk management committee.

The board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders needs and manage business risk.
- Implementation of board approved operating plans and budgets and board monitoring of progress against these budgets.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as disclosed in this Annual Report no significant changes in the state of affairs of the Group occurred during the financial year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances, besides those disclosed at note 21, have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group expects to maintain the present status and level of operations and hence there are no likely developments in the Group's operations.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is subject to significant environmental regulation in respect to its exploration activities.

The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Group are not aware of any breach of environmental legislation for the year under review.

The directors have considered the recently enacted National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduces a single national reporting framework for the reporting and dissemination of information about greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the directors have determined that the NGER Act will have no effect on the Group for the current, nor subsequent, financial year. The directors will reassess this position as and when the need arises.

REMUNERATION REPORT

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Principles used to determine the nature and amount of remuneration

Remuneration Policy

The whole board form the Remuneration Committee. The remuneration policy of Azumah Resources Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives. The board of Azumah Resources Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Group.

Directors' Report continued

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Group is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board. The board reviews executive packages annually and determines policy recommendations by reference to executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract and retain the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

Where required, the executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently \$200,000). Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

Performance based remuneration

The Group has recently introduced short term incentives into executive remuneration packages, upon the satisfaction of specific performance goals. The performance goals are based on the Group delineating JORC gold resources of specific sizes and grades with the criteria set individually for the executives in their respective service agreements. No bonuses have been paid during the 2010 financial year.

Company performance, shareholder wealth and directors' and executives' remuneration

No relationship exists between shareholder wealth, director and executive remuneration and Company performance.

The table below shows the gross revenue, losses and earnings per share for the last five years for the listed entity.

	2010	2009	2008	2007	2006
	\$	\$	\$	\$	\$
Revenue	314,411	124,889	265,629	148,727	137,760
Net loss	(10,242,288)	(2,628,113)	(4,204,544)	(3,154,449)	(6,917,496)
Loss per share (cents)	(6.0)	(2.8)	(5.2)	(4.9)	(19.4)
Share price at year end (cents)	41.0	13.5	19.0	25.0	23.0

No dividends have been paid.

Details of remuneration

Details of the remuneration of the directors, the key management personnel of the Group (as defined in AASB 124 *Related Party Disclosures*) and specified executives of Azumah Resources Limited and the Azumah Resources Group are set out in the following table. The key management personnel of Azumah Resources Limited and the Group include the directors and company secretary as per page 4 and the following executive officers who have authority and responsibility for planning, directing and controlling the activities of the Group:

- Alan Thompson – *Project Study Manager – Wa Gold Project, appointed 8 March 2010*
- Cheryl Morton – *Senior Geologist – Wa Gold Project, appointed 1 May 2010*
- Steven Woods – *General Manager – Exploration, appointed 17 May 2010, terminated 23 July 2010*
- Paul Amoako-Atta – *Mineral Licence Manager*
- Bernard Aylward – *General Manager, resigned 1 April 2010*

Given the size and nature of operations of Azumah Resources Limited and the Group, there are no other employees who are required to have their remuneration disclosed in accordance with the *Corporations Act 2001*.

Directors' Report continued

Key management personnel and other executives of Azumah Resources Limited and the Group

	Short-Term		Post Employment		Share-based	Total	Percentage Relevant to Options
	Salary & Fees	Non Monetary	Superannuation	Retirement benefits	Payments Options		
	\$	\$	\$	\$	\$	\$	%
Directors							
Michael Atkins (appointed 20 October 2009)							
2010	41,591	1,801	3,743	-	80,241	127,376	63.0
Stephen Stone							
2010	262,300	2,701	-	-	200,604	465,605	43.1
2009	190,600	3,714	-	-	-	194,314	-
Geoffrey Jones (appointed 20 October 2009)							
2010	31,072	1,801	2,796	-	80,241	115,910	69.2
Michael Ivey (resigned 21 October 2009)							
2010	24,075	900	-	-	-	24,975	-
2009	38,150	3,714	-	-	-	41,864	-
Joe Ariti (resigned 20 October 2009)							
2010	11,628	900	-	-	-	12,528	-
2009	38,150	3,714	-	-	-	41,864	-
Other key management personnel							
Dennis Wilkins							
2010	98,656	-	-	-	-	98,656	-
2009	64,246	-	-	-	-	64,246	-
Alan Thompson (appointed 8 March 2010)							
2010	71,828	-	6,464	-	-	78,292	-
Cheryl Morton (appointed 1 May 2010)							
2010	30,581	-	2,752	-	-	33,333	-
Steven Woods (appointed 17 May 2010, terminated 23 July 2010)							
2010	23,590	-	2,123	-	-	25,713	-
Paul Amoako-Atta ⁽¹⁾							
2010	35,661	-	-	-	-	35,661	-
2009	18,219	-	-	-	-	18,219	-
Bernard Aylward (resigned 1 April 2010)							
2010	181,515	-	-	-	-	181,515	-
2009	165,220	-	-	-	-	165,220	-
Total key management personnel compensation							
2010	812,497	8,103	17,878	-	361,086	1,199,564	
2009	514,585	11,142	-	-	-	525,727	

(1) In addition to the above remuneration a total of \$376,725 (2009: \$394,280) was paid to Terrex Limited, a Ghanaian registered company of which Mr Amoako-Atta is a director and shareholder. Terrex Limited provided in country exploration, geological and field personnel and support services, and tenement management services to the Group during the year and the amounts paid were at arms length.

Service agreements

The details of service agreements of the key management personnel of Azumah Resources Limited and the Group are as follows:

Stephen Stone, Managing Director:

- Term of agreement – 12 months from 1 January 2010.
- Annual consulting fees of \$276,000 paid to West One Management Pty Ltd, a company controlled by Mr Stone.
- The agreement may be terminated by the Company giving 6 months notice in writing, or by Mr Stone giving 3 months written notice, or applicable shorter periods upon breach of contract by either party.

Dennis Wilkins, Company Secretary:

- Term of agreement – 3 months notice of termination required.
- Mr Wilkins' firm, DWCorporate Pty Ltd, is engaged to provide book-keeping, accounting and company secretarial services. Fees are charged on an hourly basis, and all amounts are included in Mr Wilkins' remuneration.

Directors' Report continued

Cheryl Morton, Senior Geologist, Wa Gold Project:

- Term of agreement – Commencing 1 May 2010 until terminated in accordance with the agreement.
- Annual salary of \$200,000, excluding superannuation, to be increased at the end of each calendar year during the term by a minimum of CPI.
- The agreement provides for a one off cash bonus payment of \$50,000 if a performance goal is achieved by the executive prior to 31 December 2010. The performance goal is based on the Company delineating JORC gold resources of specific sizes and grades.
- The agreement may be terminated by either party giving two months notice in writing, or applicable shorter periods upon breach of contract by either party.

Steven Woods, General Manager – Exploration:

- Term of agreement – Commencing 17 May 2010, terminated 23 July 2010.
- Annual salary of \$200,000, excluding superannuation, to be increased at the end of each calendar year during the term by a minimum of CPI.
- The agreement provides for a one off cash bonus payment of \$50,000 if a performance goal is achieved by the executive prior to 31 December 2010. The performance goal is based on the Company delineating a JORC gold resource of a specific size and grade which is recoverable by independently optimised open pits at a set gold price per ounce.
- The agreement may be terminated by either party giving two months notice in writing, or applicable shorter periods upon breach of contract by either party.

Bernard Aylward, General Manager:

- The agreement was terminated on 1 April 2010 by Mr Aylward with no notice period required.
- Consultancy fee of \$1,000 per day paid to Matlock Geological Services Pty Ltd, a company controlled by Mr Aylward.

None of the other directors or key management personnel have service agreements in place.

Share-based compensation

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of directors and executives of Azumah Resources Limited to increase goal congruence between executives, directors and shareholders. The Company does not have a formal policy in relation to the key management personnel limiting their exposure to risk in relation to the securities, but the Board actively discourages key personnel management from obtaining mortgages in securities held in the Company.

The following options were granted to or vesting with key management personnel during the year, there were no options forfeited during the year:

	Grant Date	Granted Number	Vested Number	Date Vesting and Exercisable	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents) ⁽¹⁾	Exercised Number	% of Remuneration
Directors									
Michael Atkins	18/05/2010	1,000,000	Nil	31/12/2010 ⁽²⁾	15/12/2013	26	42.4	N/A	63.0
Stephen Stone	18/05/2010	2,500,000	Nil	31/12/2010 ⁽²⁾	15/12/2013	26	42.4	N/A	43.1
Geoffrey Jones	18/05/2010	1,000,000	Nil	31/12/2010 ⁽²⁾	15/12/2013	26	42.4	N/A	69.2

(1) The value at grant date in accordance with AASB 2: Share Based Payments of options granted during the year as part of remuneration.

(2) The above options have a performance vesting condition attached, being completion of a Feasibility Study on the Company's Wa Project which demonstrates positive commercial returns of a level equal to or better than generally accepted benchmarks for assessment of such projects at the time of completion of the Feasibility Study. Management have estimated that this vesting condition will be satisfied by 31 December 2010 for the purposes of valuing these options.

Details of ordinary shares in the Company provided as a result of the exercise of remuneration options to each director of Azumah Resources Limited and other key management personnel of the Group are set out below:

	Number of ordinary shares issued on exercise of options during the year		Amount paid per ordinary share (cents)	
	2010	2009	2010	2009
Directors				
Stephen Stone	500,000	-	23	-
Other Key Management Personnel				
Dennis Wilkins	250,000	-	23	-

No amounts are unpaid on any shares issued on the exercise of options.

Directors' Report continued

DIRECTORS' MEETINGS

During the year the Company held four meetings of directors. The attendance of directors at meetings of the board were:

	Directors Meetings		Committee Meetings		Remuneration	
	A	B	Audit		A	B
			A	B		
Michael Atkins	3	3	1	1	-	-
Stephen Stone	4	4	*	*	*	*
Geoffrey Jones	3	3	1	1	-	-
Michael Ivey	1	1	1	1	-	-
Joe Ariti	1	1	1	1	-	-

Notes

A – Number of meetings attended.

B – Number of meetings held during the time the director held office during the year.

* – Not a member of the relevant committee.

SHARES UNDER OPTION

At the date of this report there are 13,000,000 unissued ordinary shares in respect of which options are outstanding.

	Number of options
Balance at the beginning of the year	13,250,000
Movements of share options during the year:	
Issued, exercisable at 26 cents on or before 15 December 2013	4,500,000
Exercised at 14 cents, on or before 30 April 2010	(3,000,000)
Exercised at 23 cents, on or before 31 January 2010	(1,750,000)
Exercised at 30 cents, on or before 31 January 2011	(500,000)
Total number of options outstanding as at 30 June 2010	12,500,000
Movements of share options after the reporting date:	
Issued, exercisable at 92.4 cents on or before 15 December 2013	1,000,000
Exercised at 40 cents, on or before 31 January 2012	(500,000)
Total number of options outstanding as at the date of this report	13,000,000

The balance is comprised of the following:

Date options issued	Expiry date	Exercise price (cents)	Number of options
21 Feb 2009	31 Jan 2011	30	1,250,000
21 Feb 2009	31 Jan 2012	40	1,250,000
30 Apr 2009	30 Apr 2011	14	2,500,000
30 Apr 2009	30 Apr 2013	14	2,500,000
21 May 2010	15 Dec 2013	26	4,500,000
13 Sep 2010	15 Dec 2013	92.4	1,000,000
Total number of options outstanding at the date of this report			13,000,000

No person entitled to exercise any option referred to above has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

The following ordinary shares of Azumah Resources Limited were issued during the year ended 30 June 2010, and up to the date of this report, on the exercise of options. No amounts are unpaid on any of the shares.

Date options granted	Issue price of shares	Number of shares issued
21 February 2007	23 cents	1,250,000
23 November 2007	23 cents	500,000
23 November 2007	30 cents	500,000
23 November 2007	40 cents	500,000
30 April 2008	14 cents	3,000,000
		5,750,000

Directors' Report continued

INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, the Company has paid premiums insuring all the directors of Azumah Resources Limited against costs incurred in defending proceedings for conduct involving:

- (a) a wilful breach of duty; or
- (b) a contravention of sections 182 or 183 of the *Corporations Act 2001*,

as permitted by section 199B of the *Corporations Act 2001*.

The total amount of insurance contract premiums paid is \$8,104.

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, BDO Audit (WA) Pty Ltd or associated entities. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor;
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

BDO Corporate Tax (WA) Pty Ltd received or are due to receive the following amounts for the provision of non-audit services:

	2010	2009
	\$	\$
Taxation compliance services	<u>5,956</u>	<u>6,430</u>

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 14.

Signed in accordance with a resolution of the directors.



Stephen Stone
Managing Director

Perth, 30 September 2010

30 September 2010

Board of Directors
Azumah Resources Limited
Suite 1/2 Richardson Street
WEST PERTH WA 6005

Dear Sirs,

**DECLARATION OF INDEPENDENCE BY CHRIS BURTON TO THE DIRECTORS OF
AZUMAH RESOURCES LIMITED**

As lead auditor of Azumah Resources Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Azumah Resources Limited and the entities it controlled during the period.



Chris Burton
Director



BDO Audit (WA) Pty Ltd
Perth, Western Australia

Corporate Governance Statement

The Board of Directors

The Company's constitution provides that the number of directors shall not be less than three and not more than nine. There is no requirement for any share holding qualification.

As and if the Company's activities increase in size, nature and scope the size of the board will be reviewed periodically, and as circumstances demand. The optimum number of directors required to supervise adequately the Company's constitution will be determined within the limitations imposed by the constitution.

The membership of the board, its activities and composition, is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the board shall include quality of the individual, background of experience and achievement, compatibility with other board members, credibility within the Company's scope of activities, intellectual ability to contribute to the board's duties and physical ability to undertake the board's duties and responsibilities.

Directors are initially appointed by the full board subject to election by shareholders at the next general meeting. Under the Company's constitution the tenure of a director (other than managing director, and only one managing director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his or her last appointment. Subject to the requirements of the *Corporations Act 2001*, the board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A managing director may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, may revoke any appointment.

The board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees (other than an Audit Committee and Remuneration Committee) at this time. The board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards.

Role of the Board

The board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the board is responsible for oversight of management and the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

Appointments to Other Boards

Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other boards.

Independent Professional Advice

The board has determined that individual directors have the right in connection with their duties and responsibilities as directors, to seek independent professional advice at the Company's expense. With the exception of expenses for legal advice in relation to director's rights and duties, the engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably.

Continuous Review of Corporate Governance

Directors consider, on an ongoing basis, how management information is presented to them and whether such information is sufficient to enable them to discharge their duties as directors of the Company. Such information must be sufficient to enable the directors to determine appropriate operating and financial strategies from time to time in light of changing circumstances and economic conditions. The directors recognise that mineral exploration is an inherently risky business and that operational strategies adopted should, notwithstanding, be directed towards improving or maintaining the net worth of the Company.

ASX Principles of Good Corporate Governance

The board has reviewed its current practices in light of the Second Edition ASX Corporate Governance Principles and Recommendations with a view to making amendments where applicable after considering the company's size and the resources it has available.

As the company's activities develop in size, nature and scope, the size of the board and the implementation of any additional formal corporate governance committees will be given further consideration.

The board has adopted the revised Recommendations and the following table sets out the company's present position in relation to each of the revised Principles.

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
Principle 1:	Lay solid foundations for management and oversight		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions	A	Matters reserved for the Board are included on the Company's website.
1.2	Companies should disclose the process for evaluating the performance of senior executives	A	The remuneration of executive and non-executive directors is reviewed by the board with the exclusion of the Director concerned. The remuneration of management and employees is reviewed by the Board and approved by the Chairman. Acting in its ordinary capacity, the Board from time to time carries out the process of considering and determining performance issues including the identification of matters that may have a material effect on the price of company securities. Whenever relevant, any such matters are reported to ASX
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1	A	
Principle 2:	Structure the board to add value		
2.1	A majority of the board should be independent directors	A	
2.2	The chair should be an independent director	A	The Company does not perceive any additional benefits would accrue to the Company by the appointment of an independent chairperson.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual	A	The Company does not perceive any additional benefits would accrue to the Company by separating these roles.
2.4	The board should establish a nomination committee	A	The nomination committee shall comprise of the full Board. Acting in its ordinary capacity from time to time as required the Board carries out the process of determining the need for screening and appointing new directors. In view of the size and resources available to the Company, it is not considered that a separate nomination committee would add any substance to the process.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors	A	The remuneration of executive and non-executive directors is reviewed by the Board with the exception of the director concerned.
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2	A	The skills and experience of Directors are set out in the Company's Annual Report and on its website.
Principle 3:	Promote ethical and responsible decision-making		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices 	A	The company has formulated a Code of Conduct which can be viewed on the company's website.

A = Adopted

N/A = Not adopted

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy	A	The company has formulated a share trading policy, which can be viewed on its website.
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3	A	
Principle 4: Safeguard integrity in financial reporting			
4.1	The board should establish an audit committee	A	The Company has established an audit committee which comprises only non-executive directors. The charter for this committee is disclosed on the Company's website.
4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> • consists only of non-executive directors • consists of a majority of independent directors • is chaired by an independent chair, who is not chair of the board • has at least three members 	A A A N/A	Sourcing alternative directors to strictly comply with this Principle is considered expensive with costs out weighing potential benefits.
4.3	The audit committee should have a formal charter	A	
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4	A	
Principle 5: Make timely and balanced disclosure			
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	A	The Company has instigated internal procedures designed to provide reasonable assurance as to the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with relevant laws and regulations. The Board is acutely aware of the continuous disclosure regime and there are strong informal systems in place to ensure compliance, underpinned by experience.
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5	A	The Board receives monthly updates on the status of the Company's activities and any new or proposed activities. Disclosure is reviewed as a routine agenda item at each Board meeting.
Principle 6: Respect the rights of shareholders			
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy	A	In line with adherence to continuous disclosure requirements of ASX, all shareholders are kept informed of major developments affecting the Company. This disclosure is through regular shareholder communications including the Annual Report, Quarterly Reports, the Company Website and the distribution of specific releases covering major transactions or events.
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6	A	The Company has formulated a Communication Policy which can be viewed on the Company website.

A = Adopted

N/A = Not adopted

Corporate Governance Statement continued

ASX Principle	Status	Reference/comment
Principle 7: Recognise and manage risk		
7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies	A	While the Company does not have formalised policies on risk management the Board recognises its responsibility for identifying areas of significant business risk and for ensuring that arrangements are in place for adequately managing these risks. This issue is regularly reviewed at Board meetings and risk management culture is encouraged amongst employees and contractors. Determined areas of risk which are regularly considered include: <ul style="list-style-type: none"> • performance and funding of exploration activities • budget control and asset protection • status of mineral tenements • land access and native title considerations • compliance with government laws and regulations • safety and the environment • continuous disclosure obligations • share market conditions • economic risk • sovereign risk
7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks	N/A	While the Company does not have formalised policies on risk management it recognises its responsibility for identifying areas of significant business risk and for ensuring that arrangements are in place for adequately managing these risks. This issue is regularly reviewed at Board meetings and risk management culture is encouraged amongst employees and contractors.
7.3 The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks	A	The Board has received the required assurance and declaration.
7.4 Companies should provide the information indicated in the Guide to reporting on Principle 7	N/A	
Principle 8: Remunerate fairly and responsibly		
8.1 The board should establish a remuneration committee	A	
8.2 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	A	
8.3 Companies should provide the information indicated in the Guide to reporting on Principle 8	A	Refer to the Remuneration Report in the Company's Annual Report.

A = Adopted

N/A = Not adopted

Consolidated Statement of Comprehensive Income

YEAR ENDED 30 JUNE 2010	Notes	Consolidated	
		2010	2009
		\$	\$
REVENUE	4	311,136	108,074
Other income	5	3,275	16,815
EXPENDITURE			
Depreciation expense		(46,140)	(44,726)
Salaries and employee benefits expense		(413,826)	(194,636)
Exploration expenditure		(7,911,689)	(1,585,289)
Impairment expense	6	(724,528)	(91,478)
Administration expenses		(1,099,430)	(836,873)
Share-based payments expense	24	(361,086)	-
LOSS BEFORE INCOME TAX		(10,242,288)	(2,628,113)
INCOME TAX BENEFIT / (EXPENSE)	7	-	-
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF AZUMAH RESOURCES LIMITED		(10,242,288)	(2,628,113)
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		17,685	142,965
Other comprehensive income for the year, net of tax		17,685	142,965
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF AZUMAH RESOURCES LIMITED		(10,224,603)	(2,485,148)
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company (cents per share)	23	(6.0)	(2.8)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Financial Position

AT 30 JUNE 2010

	Notes	Consolidated	
		2010 \$	2009 \$
CURRENT ASSETS			
Cash and cash equivalents	8	14,032,350	1,924,277
Trade and other receivables	9	198,328	36,098
TOTAL CURRENT ASSETS		14,230,678	1,960,375
NON-CURRENT ASSETS			
Plant and equipment	10	243,243	99,744
TOTAL NON-CURRENT ASSETS		243,243	99,744
TOTAL ASSETS		14,473,921	2,060,119
CURRENT LIABILITIES			
Trade and other payables	11	1,687,206	626,465
TOTAL CURRENT LIABILITIES		1,687,206	626,465
TOTAL LIABILITIES		1,687,206	626,465
NET ASSETS		12,786,715	1,433,654
EQUITY			
Contributed equity	12	38,205,869	16,989,291
Reserves	13(a)	1,800,713	1,421,942
Accumulated losses	13(b)	(27,219,867)	(16,977,579)
TOTAL EQUITY		12,786,715	1,433,654

The above Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

YEAR ENDED 30 JUNE 2010

Consolidated	Notes	Contributed Equity \$	Options Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
BALANCE AT 1 JULY 2008		14,239,147	1,274,400	4,577	(14,349,466)	1,168,658
Loss for the year	13(b)	-	-	-	(2,628,113)	(2,628,113)
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign operations	13(a)	-	-	142,965	-	142,965
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-	-	142,965	(2,628,113)	(2,485,148)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the year	12	2,792,369	-	-	-	2,792,369
Share issue transaction costs	12	(42,225)	-	-	-	(42,225)
BALANCE AT 30 JUNE 2009		16,989,291	1,274,400	147,542	(16,977,579)	1,433,654
Loss for the year	13(b)	-	-	-	(10,242,288)	(10,242,288)
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign operations	13(a)	-	-	17,685	-	17,685
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-	-	17,685	(10,242,288)	(10,224,603)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the year	12	22,368,540	-	-	-	22,368,540
Share issue transaction costs	12	(1,151,962)	-	-	-	(1,151,962)
Employee and contractor options	13(a)	-	361,086	-	-	361,086
BALANCE AT 30 JUNE 2010		38,205,869	1,635,486	165,227	(27,219,867)	12,786,715

The above Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

YEAR ENDED 30 JUNE 2010	Notes	Consolidated	
		2010 \$	2009 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,698,330)	(587,835)
Interest received		171,235	95,460
Expenditure on mining interests		(6,178,837)	(1,886,540)
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	22	(7,705,932)	(2,378,915)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(195,428)	-
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		(195,428)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares		20,868,540	2,697,567
Payment of share issue costs		(858,907)	-
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES		20,009,633	2,697,567
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		12,108,273	318,652
Cash and cash equivalents at the beginning of the financial year		1,924,277	1,603,453
Effects of exchange rate changes on cash and cash equivalents		(200)	2,172
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	8	14,032,350	1,924,277

The above Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Azumah Resources Limited and its subsidiaries. The financial statements are presented in the Australian currency. Azumah Resources Limited is a company limited by shares, domiciled and incorporated in Australia. The financial statements were authorised for issue by the directors on 30 September 2010. The directors have the power to amend and reissue the financial statements.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

The consolidated financial statements of the Azumah Resources Limited Group comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention.

Financial statement presentation

The Group has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

Going concern

The Group incurred a loss of \$10,242,288 (2009: \$2,628,113) for the year ended 30 June 2010 and at that date the Group had net current assets of \$12,543,472 (2009: \$1,333,910). The Group is continuing to undertake discretionary exploration activity on its tenements and will incur exploration expenditure subject to results. In anticipation of continued positive results the Group has budgeted for a capital raising within the next 12 months. The directors consider that financial support from shareholders and other investors is likely to be forthcoming should further equity be required. As a result of this the financial statements have been prepared on the going concern basis as the directors consider that the Group will be able to pay its debts as and when they become due and payable.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Azumah Resources Limited ("Company" or "parent entity") as at 30 June 2010 and the results of all subsidiaries for the year then ended. Azumah Resources Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

Investments in subsidiaries are accounted for at cost in the separate financial statements of Azumah Resources Limited.

(ii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Azumah Resources Limited.

Notes to the Financial Statements continued

30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly controlled entity or associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(iii) Changes in accounting policy

The Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control, joint control or significant influence from 1 July 2009 when a revised AASB 127 *Consolidated and Separate Financial Statements* became operative. The revisions to AASB 127 contained consequential amendments to AASB 128 *Investments in Associates* and AASB 131 *Interests in Joint Ventures*.

Previously transactions with non-controlling interests were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Previously when the Group ceased to have control, joint control or significant influence over an entity, the carrying amount of the investment at the date control, joint control or significant influence ceased became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets.

The Group has applied the new policy prospectively to transactions occurring on or after 1 July 2009. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

(c) Segment reporting

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

Change in accounting policy

The Group has adopted AASB 8 Operating Segments from 1 July 2009. AASB 8 replaces AASB 114 Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. For management purposes, the Group has identified only one reportable segment as exploration activities undertaken in Ghana, West Africa. This segment includes activities associated with the determination and assessment of the existence of commercial economic reserves, from the Group's mineral assets in this geographic location. This represents a decrease in the number of reportable segments presented with comparatives for 2009 having been restated.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Azumah Resources Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(iii) Group companies

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

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

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

Notes to the Financial Statements continued

30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Revenue recognition

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associated operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(g) Leases

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 18). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(h) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Change in accounting policy

A revised AASB 3 *Business Combinations* became operative on 1 July 2009. While the revised standard continues to apply the acquisition method of business combinations, there have been some significant changes.

All purchase consideration is now recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently remeasured through profit or loss. Under the Group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Notes to the Financial Statements continued

30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net identifiable assets.

If the Group recognises previous acquired deferred tax assets after the initial acquisition accounting is completed there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will decrease the Group's net loss after tax.

(i) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts.

(k) Financial assets

Classification

The Group classifies all of its financial assets as loans and receivables. Management determines the classification of its financial assets at initial recognition.

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 recognised initially at fair value and subsequently at amortised cost less impairment. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Collectability of loans and receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables or in an otherwise timely manner. The amount of the impairment allowance is the difference between the asset's carrying amount and the estimated future cash flows. None of the Group's loans and receivables has an applicable interest rate hence the cash flows are not discounted.

The amount of the impairment loss is recognised in the statement of comprehensive income within impairment expenses. When a loan or receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Subsequent measurement

Details on how the fair value of financial investments is determined are disclosed in note 2.

Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the statement of comprehensive income.

(l) Plant and equipment

All plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Notes to the Financial Statements continued

30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the statement of comprehensive income during the reporting period in which they are incurred.

Depreciation of plant and equipment is calculated using the reducing balance method to allocate their cost, net of their residual values, over their estimated useful lives. The rates vary between 20% and 40% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

(m) Exploration and evaluation costs

Exploration and evaluation costs are written off in the year they are incurred.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. They are recognised initially at fair value and subsequently at amortised cost. The amounts are unsecured and are paid on normal commercial terms.

(o) Employee benefits

(i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Share-based payments

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'), refer to note 24.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of options that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

(p) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(q) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Notes to the Financial Statements continued

30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(r) Goods and Services Tax (GST) and Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

The Group's transactions in Ghana are subject to VAT administered by the Value Added Tax Service of the Republic of Ghana. Revenues, expenses and assets are recognised net of the amount of VAT, except where the amount of VAT incurred is not recoverable from the Value Added Tax Service. In these circumstances the VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of VAT.

Cash flows are presented on a gross basis. The GST and VAT components of cash flows arising from investing or financing activities which are recoverable from, or payable to the respective taxation authorities, are presented as operating cash flows.

(s) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below. New standards and interpretations not mentioned are considered unlikely to impact on the financial reporting of the Group.

AASB 2009-5 Amendments to Australian Accounting Standards – Equity Settled Liabilities [AASB 101] (effective from 1 January 2010)

Clarifies that terms of a liability that could, at the option of the counterparty, result in the liability being settled by the issue of equity instruments, do not affect its classification. This means that unless the terms of such liabilities require a transfer of cash or other assets within 12 months, they do not necessarily have to be classified as current liabilities. Initial adoption of this amendment will have no impact as the Group does not have any current liabilities where the counterparty has the option to have the liabilities settled by the issue of equity instruments.

AASB 2009-5 Amendments to Australian Accounting Standards – Clarification of Cash Flows Classification [AASB 107] (effective from 1 January 2010)

Clarifies that only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as cash flows from investing activities. Initial adoption of this amendment will have no impact as the Group only recognises cash flows from investing activities for expenditures that result in a recognised asset in the statement of financial position.

AASB 2009-5 Amendments to Australian Accounting Standards – Clarification of Goodwill Allocations [AASB 136] (effective from 1 January 2010)

Clarifies that CGUs to which goodwill is allocated cannot be larger than an operating segment as defined in AASB 8 *Operating Segments* before aggregation. There will be no impact as these requirements are only required to be applied prospectively to goodwill impairment calculations for periods commencing on or after 1 July 2010.

AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions [AASB 2] (effective from 1 January 2010)

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a Group share-based payment arrangement must recognise or expense for those goods or services regardless of which entity in the Group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the Group share-based payment arrangement should be measured, that is, whether it is measured as an equity or a cash-settled transaction. The Group will apply these amendments retrospectively for the financial reporting period commencing on 1 July 2010. There will be no impact on the Group's financial statements.

AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] (effective from 1 February 2010)

In October 2009 the AASB issued an amendment to AASB 132 *Financial Instruments: Presentation* which addresses the accounting for addresses for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The Group will apply the amended standard from 1 July 2010. As the Group has not made any such rights issues, the amendment will not have any effect on the Group's financial statements.

Notes to the Financial Statements continued

30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The group is yet to assess its full impact. The Group has not yet decided when to adopt AASB 9.

Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The Group will apply the amended standard from 1 July 2011. The amendments are not expected to have a significant impact on the financial statements of the Group.

AASB Interpretation 19 Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 (effective from 1 July 2010)

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the entity issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The Group will apply the interpretation from 1 July 2010, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.

AASB 2010-3 Amendments to Australian Accounting Standards – Contingent Consideration in Business Combinations [AASB 3] (effective from 1 July 2010)

Confirms that any balances of contingent consideration that relate to acquisitions under the superseded AASB 3 must be accounted for under the superseded standard, i.e. not via profit or loss. There will be no impact on initial adoption as the Group did not have any contingent consideration on acquisitions prior to 1 July 2009.

AASB 2010-4 Amendments to Australian Accounting Standards – Financial Instrument Disclosures [AASB 7] (effective from 1 January 2011)

Deletes various disclosures relating to credit risk, renegotiated loans and receivables and the fair value of collateral held. There will be no impact on initial adoption to amounts recognised in the financial statement as the amendments result in fewer disclosures only.

AASB 2010-4 Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 101] (effective from 1 January 2011)

A detailed reconciliation of each item of other comprehensive income may be included in the statement of changes in equity or in the notes to the financial statements. There will be no impact on initial adoption of this amendment as a detailed reconciliation of each item of other comprehensive income has always been included in the statement of changes in equity.

None of the other amendments or Interpretations are expected to affect the accounting policies of the Group.

(t) Critical accounting estimates and judgements

The preparation of these financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in note 24. If any of these assumptions were to change, there may be an impact on the amounts reported.

Notes to the Financial Statements continued

30 JUNE 2010

2. FINANCIAL RISK MANAGEMENT

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

Risk management is carried out by the full Board of Directors as the Group believes that it is crucial for all board members to be involved in this process. The Managing Director, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the board on risk management.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The Group has not formalised a foreign currency risk management policy however, it monitors its foreign currency expenditure in light of exchange rate movements.

The functional currency of the subsidiary companies is the US dollar. All parent entity balances are in Australian dollars and all Group balances are in either Australian or US dollars, so the Group does not have any exposure to foreign currency risk at the reporting date (2009: Nil exposure).

(ii) Price risk

Given the current level of operations, the Group is not currently exposed to price risk.

(iii) Interest rate risk

The Group is exposed to movements in market interest rates on cash and cash equivalents. The Group policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return.

Sensitivity analysis

At 30 June 2010, if interest rates had changed by +/- 100 basis points from the weighted average rate for the year with all other variables held constant, post-tax loss for the Group would have been \$64,000 lower/higher (2009: +/- 100 basis points, \$20,750 lower/higher) as a result of lower/higher interest income from cash and cash equivalents. The directors believe that in the current economic environment a 1% increase in interest rates is reasonable given comments made by the Reserve Bank of Australia.

(b) Credit risk

The maximum exposure to credit risk at balance date is the carrying amount (net of provision for impairment) of those assets as disclosed in the statement of financial position and notes to the financial statements. The only significant concentration of credit risk for the Group is the cash and cash equivalents held with financial institutions. All material deposits are held with the major Australian banks for which the Board evaluate credit risk to be minimal.

As the Group does not presently have any debtors, lending, significant stock levels or any other credit risk, a formal credit risk management policy is not maintained.

(c) Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

The financial liabilities of the Group are confined to trade and other payables as disclosed in the statement of financial position. All trade and other payables are non-interest bearing and due within 12 months of the reporting date.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Group at the balance date are recorded at amounts approximating their carrying amount due to their short term nature.

Notes to the Financial Statements continued

30 JUNE 2010

	Consolidated	
	2010	2009
	\$	\$
3. SEGMENT INFORMATION		
Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. For management purposes, the Group has identified only one reportable segment being exploration activities undertaken in Ghana, West Africa. This segment includes activities associated with the determination and assessment of the existence of commercial economic reserves, from the Group's mineral assets in this geographic location.		
Segment performance is evaluated based on the operating profit and loss and cash flows and is measured in accordance with the Group's accounting policies.		
Exploration segment		
Segment revenue	3,275	16,834
Reconciliation of segment revenue to total revenue before tax:		
Interest revenue	311,136	108,055
Total revenue	314,411	124,889
Segment results	(8,668,291)	(1,691,801)
Reconciliation of segment result to net loss before tax:		
Other corporate and administration	(1,573,997)	(936,312)
Net loss before tax	(10,242,288)	(2,628,113)
Segment operating assets	280,852	85,309
Reconciliation of segment operating assets to total assets:		
Other corporate and administration assets	14,193,069	1,974,810
Total assets	14,473,921	2,060,119
Segment operating liabilities	1,255,476	175,043
Reconciliation of segment operating liabilities to total liabilities:		
Other corporate and administration liabilities	431,730	451,422
Total liabilities	1,687,206	626,465
4. REVENUE		
<i>Other revenue</i>		
Interest	311,136	108,074
5. OTHER INCOME		
Foreign exchange gains	3,275	16,815
6. EXPENSES		
Loss before income tax includes the following specific expenses:		
Minimum lease payments relating to operating leases	90,423	97,174
Defined contribution superannuation expense	17,879	-
Impairment of trade and other receivables	724,528	91,478
7. INCOME TAX		
(a) Income tax expense/(benefit)		
Current tax	-	-
Deferred tax	-	-
	-	-

Notes to the Financial Statements continued

30 JUNE 2010

	Consolidated	
	2010	2009
	\$	\$
7. INCOME TAX (cont'd)		
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	(10,242,288)	(2,628,113)
Prima facie tax benefit at the Australian tax rate of 30% (2009: 30%)	(3,072,686)	(788,434)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	108,326	-
Sundry items	246	204
	<u>(2,964,114)</u>	<u>(788,230)</u>
Movements in unrecognised temporary differences	2,441,461	442,007
Tax effect of current year tax losses for which no deferred tax asset has been recognised	522,653	346,223
Income tax expense/(benefit)	<u>-</u>	<u>-</u>

(c) Unrecognised temporary differences**Deferred Tax Assets (at 30%)***On Income Tax Account*

Capital raising costs	298,967	118,571
Allowance for impairment	416,661	205,769
Carry forward foreign losses	4,764,692	2,381,564
Carry forward tax losses (revenue and capital)	1,984,954	1,462,301
	<u>7,465,274</u>	<u>4,168,205</u>

Deferred Tax Liabilities (at 30%)

	<u>-</u>	<u>-</u>
--	----------	----------

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

The Group's ability to use losses in the future is subject to the companies in the Group satisfying the relevant tax authority's criteria for using these losses.

8. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

Cash at bank and in hand	1,459,334	854,477
Short-term deposits ⁽¹⁾	12,573,016	1,069,800
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	<u>14,032,350</u>	<u>1,924,277</u>

(1) Short-term deposits include an amount of \$53,016 (2009: \$49,800) held as security for a bank guarantee facility. This amount is not available for use by the Group.

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

9. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

Government taxes receivable	1,432,206	709,380
Allowance for impairment (note (a))	(1,388,870)	(685,896)
Sundry receivables	154,992	12,614
	<u>198,328</u>	<u>36,098</u>

Sundry receivables are not past due nor impaired, and based on history are expected to be fully recoverable.

Notes to the Financial Statements continued

30 JUNE 2010

Consolidated

2010	2009
\$	\$

9. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES (cont'd)

(a) Impaired receivables

As at 30 June 2010 the VAT receivable from the Group's operations in Ghana, with a nominal value of \$1,388,870 (2009: \$685,896), has been provided for in full. The VAT may only be recoverable once the Group's operations are producing revenue in Ghana.

Movements in the provision for impairment of receivables are as follows:

Balance at the beginning of the year	685,896	504,477
Provision for impairment recognised during the year	724,528	91,478
Foreign exchange movements	(21,554)	89,941
	<u>1,388,870</u>	<u>685,896</u>

10. NON-CURRENT ASSETS - PLANT AND EQUIPMENT

Plant and equipment

Cost	405,924	259,065
Accumulated depreciation	(162,681)	(159,321)
Net book amount	<u>243,243</u>	<u>99,744</u>

Plant and equipment

Opening net book amount	99,744	123,667
Exchange differences	(5,789)	20,803
Additions	195,428	-
Depreciation charge	(46,140)	(44,726)
Closing net book amount	<u>243,243</u>	<u>99,744</u>

11. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

Trade payables	1,653,647	296,643
Other payables and accruals	33,559	329,822
	<u>1,687,206</u>	<u>626,465</u>

12. CONTRIBUTED EQUITY

(a) Share capital

	Notes	2010		2009	
		Number of shares	\$	Number of shares	\$
Ordinary shares fully paid	12(b), 12(d)	214,446,055	38,205,869	102,212,720	16,989,291
Total contributed equity		<u>214,446,055</u>	<u>38,205,869</u>	<u>102,212,720</u>	<u>16,989,291</u>

Notes to the Financial Statements continued

30 JUNE 2010

	2010		2009	
	Number of shares	\$	Number of shares	\$
12. CONTRIBUTED EQUITY (cont'd)				
(b) Movements in ordinary share capital				
Beginning of the financial year	102,212,720	16,989,291	81,000,000	14,239,147
Issued during the year:				
– Issued for cash @ 40 cents per share	27,900,000	11,160,000	-	-
– Issued on exercise of 30 cent options	500,000	150,000	-	-
– Issued on exercise of 23 cent options	1,750,000	402,500	-	-
– Issued for cash @ 22 cents per share	50,218,633	4,496,433	-	-
– Issued for cash @ 20 cents per share	21,198,035	4,239,607	-	-
– Issued for cash @ 16 cents per share	-	-	12,150,000	1,944,000
– Issued on exercise of 14 cent options	3,000,000	420,000	-	-
– Issued for cash @ 9 cents per share	-	-	8,114,700	730,323
– Issued as consideration for tenement acquisition	6,000,000	1,350,000	-	-
– Issued as consideration for drilling services	1,666,667	150,000	948,020	94,802
– Cash received in advance of share issue	-	-	-	23,244
Less: Transaction costs	-	(1,151,962)	-	(42,225)
End of the financial year	<u>214,446,055</u>	<u>38,205,869</u>	102,212,720	16,989,291

(c) Movements in options on issue

	Number of options	
	2010	2009
Beginning of the financial year	13,250,000	16,250,000
Issued during the year:		
– Exercisable at 26 cents, on or before 15 Dec 2013	4,500,000	-
Exercised/expired/cancelled during the year:		
– Exercisable at 14 cents, 30 Apr 2010	(3,000,000)	-
– Exercisable at 20 cents, 6 Dec 2009	-	(3,000,000)
– Exercisable at 23 cents, 31 Jan 2010	(1,750,000)	-
– Exercisable at 30 cents, 31 Jan 2011	(500,000)	-
End of the financial year	<u>12,500,000</u>	13,250,000

(d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Notes to the Financial Statements continued

30 JUNE 2010

Consolidated

2010	2009
\$	\$

12. CONTRIBUTED EQUITY (cont'd)**(e) Capital risk management**

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital positions of the Group at 30 June 2010 and 30 June 2009 are as follows:

Cash and cash equivalents	14,032,350	1,924,277
Trade and other receivables	198,328	36,098
Trade and other payables	(1,687,206)	(626,465)
Working capital position	12,543,472	1,333,910

13. RESERVES AND ACCUMULATED LOSSES**(a) Reserves**

Foreign currency translation reserve	165,227	147,542
Share-based payments reserve	1,635,486	1,274,400
	1,800,713	1,421,942

Movements:*Foreign currency translation reserve*

Balance at beginning of year	147,542	4,577
Currency translation differences arising during the year	17,685	142,965
Balance at end of year	165,227	147,542

Share-based payments reserve

Balance at beginning of year	1,274,400	1,274,400
Option expense	361,086	-
Balance at end of year	1,635,486	1,274,400

(b) Accumulated losses

Balance at beginning of year	(16,977,579)	(14,349,466)
Net loss for the year	(10,242,288)	(2,628,113)
Balance at end of year	(27,219,867)	(16,977,579)

(c) Nature and purpose of reserves*(i) Foreign currency translation reserve*

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described in note 1(d). The reserve is recognised in profit and loss when the net investment is disposed of.

(ii) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued.

14. DIVIDENDS

No dividends were paid during the financial year. No recommendation for payment of dividends has been made.

Notes to the Financial Statements continued

30 JUNE 2010

15. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation

	Consolidated	
	2010	2009
	\$	\$
Short-term benefits	820,600	525,727
Post employment benefits	17,878	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	361,086	-
	<u>1,199,564</u>	<u>525,727</u>

(b) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the remuneration report on page 11.

(ii) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director of Azumah Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below:

2010	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
<i>Directors of Azumah Resources Limited</i>							
Michael Atkins	-	1,000,000	-	-	1,000,000	-	1,000,000
Stephen Stone	6,500,000	2,500,000	(500,000)	-	8,500,000	6,000,000	2,500,000
Geoffrey Jones	-	1,000,000	-	-	1,000,000	-	1,000,000
Michael Ivey	1,500,000	-	-	(1,500,000)	-	-	-
Joe Ariti	1,500,000	-	-	(1,500,000)	-	-	-
<i>Other key management personnel of the Group</i>							
Dennis Wilkins	750,000	-	(250,000)	-	500,000	500,000	-
Bernard Aylward	3,000,000	-	-	(3,000,000)	-	-	-
All vested options are exercisable at the end of the year.							
2009	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
<i>Directors of Azumah Resources Limited</i>							
Stephen Stone	6,500,000	-	-	-	6,500,000	4,000,000	2,500,000
Michael Ivey	1,500,000	-	-	-	1,500,000	1,500,000	-
Joe Ariti	1,500,000	-	-	-	1,500,000	1,500,000	-
<i>Other key management personnel of the Group</i>							
Dennis Wilkins	750,000	-	-	-	750,000	750,000	-
Bernard Aylward	3,000,000	-	-	-	3,000,000	1,000,000	2,000,000

Notes to the Financial Statements continued

30 JUNE 2010

15. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

(iii) Share holdings

The numbers of shares in the Company held during the financial year by each director of Azumah Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2010

	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year ⁽¹⁾
<i>Directors of Azumah Resources Limited</i>				
Ordinary shares				
Michael Atkins	-	-	100,000	100,000
Stephen Stone	4,633,633	500,000	-	5,133,633
Michael Ivey	84,614	-	(84,614)	-
Joe Ariti	200,000	-	(200,000)	-
<i>Other key management personnel of the Group</i>				
Ordinary shares				
Paul Amoako-Atta	4,625,000	-	(675,000)	3,950,000
Bernard Aylward	250,000	-	(250,000)	-

2009

	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year ⁽¹⁾
<i>Directors of Azumah Resources Limited</i>				
Ordinary shares				
Stephen Stone	4,633,633	-	-	4,633,633
Michael Ivey	84,614	-	-	84,614
Joe Ariti	100,000	-	100,000	200,000
<i>Other key management personnel of the Group</i>				
Ordinary shares				
Bernard Aylward	250,000	-	-	250,000
Paul Amoako-Atta	4,625,000	-	-	4,625,000

(1) At year end there are no nominally held shares.

(c) Loans to key management personnel

There were no loans to key management personnel during the year.

(d) Other transactions with key management personnel**Services**

DWCorporate Pty Ltd, a business of which Mr Wilkins is principal, provided company secretarial and other corporate services to Azumah Resources Limited during the year. The amounts paid were on arms length commercial terms and are included as part of Mr Wilkins' compensation. At 30 June 2010 there was an outstanding amount owing to DWCorporate Pty Ltd of \$1,884 (2009: \$3,432).

Terrex Limited, a Ghanaian registered company of which Mr Amoako-Atta is a director and shareholder, provided in country exploration, geological and field personnel and support services, and tenement management services to the Group during the year totalling \$376,725 (2009: \$394,280). The amounts paid were on arms length commercial terms. At 30 June 2010 there was an outstanding amount owing to Terrex Limited of \$164,601 (2009: \$50,031).

Notes to the Financial Statements continued

30 JUNE 2010

	Consolidated	
	2010	2009
	\$	\$
16. REMUNERATION OF AUDITORS		
During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:		
(a) Audit services		
BDO Audit (WA) Pty Ltd – audit and review of financial reports	26,677	26,688
Non-related audit firm for the audit or review of financial reports of any entity in the Group	10,427	8,757
Total remuneration for audit services	<u>37,104</u>	<u>35,445</u>
(b) Non-audit services		
BDO Corporate Tax (WA) Pty Ltd – taxation compliance services	5,956	6,430
Total remuneration for other services	<u>5,956</u>	<u>6,430</u>

17. CONTINGENCIES**Tenement Acquisition Agreements**

In relation to three tenement acquisition agreements the Group entered into with Crew Gold Corporation (“Crew”) prior to 30 June 2009, Crew is entitled to a royalty of 1% of the gross receipts from any saleable gold materials produced from any of the tenements the subject of the agreements, except for the initial 300,000 ounces of saleable gold materials per each agreement.

Ghanaian Government’s Rights to Participation in Mining Projects

- The Government is entitled to a 10% interest in any mineral operations in respect of mineral rights held in Ghana without the payment of compensation. However, it is not usual for the Government to exercise this option in relation to the holder of reconnaissance rights.
- The Government also has the option of acquiring an additional 20% interest in the rights and obligations in any mineral operations where any mineral is discovered in commercial quantities. The acquisition of this further 20% interest must be on terms agreed upon between the holder of the mining lease and the Government. Since the law was passed in 1986, the Government has never exercised this option.

18. COMMITMENTS**(a) Exploration commitments**

The Company has certain commitments to meet minimum expenditure requirements on the mineral exploration assets it has an interest in. Outstanding exploration commitments are as follows:

within one year	134,301	154,318
later than one year but not later than five years	-	-
	<u>134,301</u>	<u>154,318</u>

(b) Lease commitments: Group as lessee*Operating leases (non-cancellable):*

Minimum lease payments		
within one year	85,137	82,378
later than one year but not later than five years	50,629	135,766
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	<u>135,766</u>	<u>218,144</u>

The property lease is a non-cancellable lease with a four-year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments to increase to market value, with a minimum 5% uplift, per annum. An option exists to renew the lease at the end of the four-year term for an additional term of two years. The lease allows for subletting of all lease areas.

Notes to the Financial Statements continued

30 JUNE 2010

	Consolidated	
	2010	2009
	\$	\$
18. COMMITMENTS (cont'd)		
(c) Remuneration commitments		
Amounts disclosed as remuneration commitments include commitments arising from the service contracts of key management personnel referred to in the remuneration report on pages 10 and 11 that are not recognised as liabilities and are not included in the key management personnel compensation.		
within one year	209,167	-
later than one year but not later than five years	-	-
	209,167	-

19. RELATED PARTY TRANSACTIONS**(a) Parent entity**

The ultimate parent entity within the Group is Azumah Resources Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 20.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 15.

(d) Transactions and balances with related parties*Purchases of goods and services*

Purchase of drilling services from a significant shareholder	3,448,645	733,125
--	-----------	---------

There were no balances outstanding at balance date in relation to the above transactions, and the transactions were made on normal commercial terms and conditions and at market rates.

(e) Loans to related parties

Azumah Resources Limited has provided unsecured, interest free loans to each of its wholly owned subsidiaries totalling \$16,356,037 (2009: \$8,418,493) at 30 June 2010. An impairment assessment is undertaken each financial year by examining the financial position of the subsidiary and the market in which the subsidiary operates to determine whether there is objective evidence that the subsidiary is impaired. When such objective evidence exists, the Company recognises an allowance for the impairment loss.

20. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name	Country of Incorporation	Class of Shares	Equity Holding ⁽¹⁾	
			2010	2009
			%	%
Azumah Resources Ghana Ltd	Ghana	Ordinary	100	100
Phoenix Resources Ltd	Ghana	Ordinary	100	100
Azumah Metals (Ghana) Ltd	Ghana	Ordinary	100	100

(1) The proportion of ownership interest is equal to the proportion of voting power held.

21. EVENTS OCCURRING AFTER THE REPORTING DATE

A total of 6 million ordinary shares were issued to Crew Gold Corporation in September 2010 as additional consideration in accordance with tenement acquisition agreements. The shares were issued upon delineation of threshold gold resources on the respective tenements.

During September 2010, 500,000 ordinary shares were issued upon the exercise of unlisted options to raise \$200,000, and 1,000,000 unlisted options with an exercise price of 92.4 cents, expiring 15 December 2013, were issued pursuant to an employment agreement.

No other matter or circumstance has arisen since 30 June 2010, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

Notes to the Financial Statements continued

30 JUNE 2010

	Consolidated	
	2010	2009
	\$	\$
22. STATEMENT OF CASH FLOWS		
Reconciliation of net loss after income tax to net cash outflow from operating activities		
Net loss for the year	(10,242,288)	(2,628,113)
Non-Cash Items		
Depreciation of non-current assets	46,140	44,726
Option expense	361,086	-
Net exchange differences	16,569	55,516
Expenses settled by issue of shares	1,500,000	94,802
Impairment expense	-	91,478
Change in operating assets and liabilities, net of effects from purchase of controlled entities		
(Increase)/decrease in trade and other receivables	(162,230)	45,283
Increase/(decrease) in trade and other payables	774,791	(82,607)
Net cash outflow from operating activities	<u>(7,705,932)</u>	<u>(2,378,915)</u>

23. LOSS PER SHARE**(a) Reconciliation of earnings used in calculating loss per share**

Loss attributable to the owners of the Company used in calculating basic and diluted loss per share

<u>(10,242,288)</u>	<u>(2,628,113)</u>
---------------------	--------------------

Number of shares	Number of shares
------------------	------------------

(b) Weighted average number of shares used as the denominator

Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share

<u>171,678,530</u>	<u>93,167,658</u>
--------------------	-------------------

(c) Information on the classification of options

As the Group has made a loss for the year ended 30 June 2010, all options on issue are considered antidilutive and have not been included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

24. SHARE-BASED PAYMENTS**(a) Employees and contractors options**

The Group provides benefits to employees (including directors) and contractors of the Group in the form of share-based payment transactions, whereby options to acquire ordinary shares are issued as an incentive to improve employee and shareholder goal congruence. The exercise price of the options granted range from 26 cents to 40 cents per option. All options granted have expiry dates ranging from 31 January 2011 to 15 December 2013.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company with full dividend and voting rights.

Notes to the Financial Statements continued

30 JUNE 2010

24. SHARE-BASED PAYMENTS (cont'd)

Set out below are summaries of the options granted:

	Consolidated			
	2010		2009	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the year	13,250,000	24.2	13,250,000	20.7
Granted	4,500,000	26.0	-	-
Forfeited/cancelled	-	-	-	-
Exercised	(5,250,000)	18.5	-	-
Expired	-	-	-	-
Outstanding at year-end	12,500,000	23.6	13,250,000	20.7
Exercisable at year-end	8,000,000	22.2	8,750,000	24.2

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 2.26 years (2009: 1.89 years), and the exercise prices range from 26 cents to 40 cents.

The weighted average fair value of options granted during the year was 42.4 cents (2009: 4.8 cents). The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2010	2009
Weighted average exercise price (cents)	26.0	-
Weighted average life of the option (years)	3.58	-
Weighted average underlying share price (cents)	49.5	-
Expected share price volatility	128.93%	-
Weighted average risk free interest rate	4.5%	-

Historical volatility has been used as the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate.

The life of the options is based on historical exercise patterns, which may not eventuate in the future.

(b) Shares issued to suppliers

During the 2010 financial year 1,666,667 ordinary shares were issued at a deemed cost of \$150,000 (2009: 948,020 ordinary shares were issued at a deemed cost of \$94,802) as consideration for consulting services and have been included as part of the 'Administration expenses' on the statement of comprehensive income of the Group. Additionally, during the 2010 financial year, 6,000,000 ordinary shares were issued at a deemed cost of \$1,350,000 as consideration pursuant to tenement acquisition agreements. This amount is included in 'Exploration expenditure' on the statement of comprehensive income of the Group.

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period were as follows:

	Consolidated	
	2010	2009
	\$	\$
Options issued to employees and contractors	361,086	-
Shares issued to suppliers	1,500,000	-
	1,861,086	-

Notes to the Financial Statements continued

30 JUNE 2010	2010	2009
	\$	\$
25. PARENT ENTITY INFORMATION		
The following information relates to the parent entity, Azumah Resources Limited, at 30 June 2010. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.		
Current assets	14,122,296	1,957,097
Non-current assets	179,155	20,989
Total assets	14,301,451	1,978,086
Current liabilities	661,156	509,020
Total liabilities	661,156	509,020
Contributed equity	38,205,869	16,989,291
Share-based payments reserve	1,635,486	1,274,400
Accumulated losses	(26,201,060)	(16,794,625)
Total equity	13,640,295	1,469,066
Loss for the year	(9,406,435)	(2,496,682)
Total comprehensive loss for the year	(9,406,435)	(2,496,682)

As detailed in note 17, there are contingent liabilities in respect to the three tenement acquisition agreements the parent entity has entered into with Crew Gold Corporation.

Directors' Declaration

In the directors' opinion:

- (a) the financial statements comprising the statements of comprehensive income, statements of financial position, statements of changes in equity, statements of cash flows and accompanying notes set out on pages 19 to 42 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2010 and of their performance for the financial year ended on that date;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (c) the remuneration disclosures included in the Directors' Report (as part of the audited Remuneration Report), for the year ended 30 June 2010, comply with Section 300A of the *Corporations Act 2001*; and
- (d) a statement that the attached financial statements are in compliance with International Financial Reporting Standards has been included in the notes to the financial statements.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.



Stephen Stone
Managing Director

Perth, 30 September 2010

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AZUMAH RESOURCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Azumah Resources Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.



Auditor's Opinion

In our opinion:

- (a) the financial report of Azumah Resources Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a)


Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Azumah Resources Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO Audit


Chris Burton
Director

Perth, Western Australia
Dated this 30th day of September 2010

ASX Additional Information

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 20 September 2010.

(a) Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

		Ordinary shares	
		Number of holders	Number of shares
1	- 1,000	78	43,467
1,001	- 5,000	882	2,891,706
5,001	- 10,000	687	5,996,185
10,001	- 100,000	1,302	43,128,620
100,001	and over	164	168,886,077
		3,113	220,946,055
		39	6,294

The number of shareholders holding less than a marketable parcel of shares are:

(b) Twenty largest shareholders

The names of the twenty largest holders of quoted ordinary shares are:

		Listed ordinary shares	
		Number of shares	Percentage of ordinary shares
1	HSBC Custody Nom Aust Ltd	32,296,754	14.62
2	Macquarie Bank Ltd	26,440,705	11.97
3	Citicorp Nom Pty Ltd	13,308,757	6.02
4	Crew Gold Corp	12,000,000	5.43
5	ANZ Nom Ltd <Cash Income A/C>	6,202,921	2.81
6	Stone Stephen & Pearl J <West One S/F A/C>	4,633,633	2.10
7	Yamashita Siro	4,220,000	1.91
8	Trailstar Ltd	3,803,125	1.72
9	Redstar Resources Ltd	3,718,750	1.68
10	Bluestar Resources Ltd	3,250,000	1.47
11	Sell Power Pty Ltd <Sellpower S/F A/C>	2,902,017	1.31
12	Kingston Management Isle of Man <Harper Fam Account>	2,614,687	1.18
13	Yamashita S & Chrisopher <Citius S/F A/C>	2,595,000	1.17
14	P R Perry Nom Pty Ltd	2,240,500	1.01
15	National Nom Ltd	1,991,170	0.90
16	Pan Aust Nom Pty Ltd	1,856,931	0.84
17	Escor Inv Pty Ltd	1,750,000	0.79
18	Merrill Lynch Aust Nom Pty Ltd <Berndale A/C>	1,548,238	0.70
19	J P Morgan Nom Aust Ltd	1,300,000	0.59
20	Berne No 132 Nom Pty Ltd <323731 A/C>	1,250,000	0.57
		129,923,188	58.79
		129,923,188	58.79

(c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

	Number of Shares
HSBC Custody Nom Aust Ltd	32,296,754
Macquarie Bank Ltd	26,440,705
Citicorp Nom Pty Ltd	13,308,757
Crew Gold Corp	12,000,000

ASX Additional Information continued

(d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

(e) Schedule of interests in mining tenements

Location	Tenement	Percentage held / earning
Vapor, Ghana	PL 150/2006	100
Samoa, Ghana	RL 163/2006	100
Wa-Lawra, Ghana	RL 409/2005	100
Basabli, Ghana	PL 40/2007	100
Duri, Ghana	PL 41/2007	100
Lambussie, Ghana	PL 29/2009	100
Hamlie, Ghana	PL 31/2009	100
Butele, Ghana	PL 28/2009	100
Zadong, Ghana	PL 27/2009	100
Vapor South, Ghana	PL 30/2009	100
Vapor West, Ghana	PL 32/2009	100
Julie, Ghana	PL 3/2010	100
Collette, Ghana	PL 4/2010	100
Josephine, Ghana	PL 2/2010	100

Prospecting Licence (PL): A Prospecting Licence gives the holder the exclusive right to search for specific minerals (or commodities) by the conduct of geological and geophysical investigations and to determine the extent and economic value of any deposit within the licence area.

Reconnaissance Licence (RL): A Reconnaissance Licence confers on the holder the right to search for a specific mineral (or commodity) within the licence area by geochemical and photo-geological surveys or other remote sensing techniques. Except as otherwise provided in the licence, it does not permit drilling, excavation or other sub-surface techniques.