

Registered company number: SC278801

African Aluminium Limited

Consolidated financial statements

For the year ended 30 June 2006



African Aluminium Ltd

COMPANY INFORMATION

Business Address: African Aluminium Ltd, Suite 8, Brechin Business Centre, 10 South Esk Street, Brechin, DD9 6DY

Company registration number: SC278801

Registered office: Den of Baldoukie, Tannadice, Forfar, Angus, DD8 3SN

Sierra Leone: 1a Old Railway Line, Brookfields, Freetown

Company Secretary: S MacGregor

Directors: F Fofana, J MacGregor, S MacGregor

Bankers: Clydesdale Bank Plc, 56 Murray Place, Stirling, FK8 2BX

Auditors: PKF (UK) LLP, Farringdon Place, 20 Farringdon Road, London, EC1M 3AP

Solicitors: McGrigors, Pacific House, 70 Wellington Street, Glasgow, G2 6SB

African Aluminium Ltd

DIRECTORS' REPORT

The directors present their report and the audited consolidated financial statements for the year ended 30 June 2006

Principal activities

The principal activity of the Group is the exploration for bauxite and development of a bauxite and alumina project in Sierra Leone

Results

The Group's consolidated net loss for the year was £65,671 (2005 £31,956) The directors do not recommend the payment of a dividend

Directors

During the year under review, the following served as Directors

F Fofana

S B MacGregor

J W MacGregor

Directors' interests

The directors who held office at the end of the period had the following beneficial interests in the ordinary shares of the Company

	Shares held at 30 June 2006 Number	Shares held at 30 June 2005 Number
S B MacGregor	2,300,000	2,300,000
J W MacGregor	2,100,000	2,100,000
F Fofana	2,300,000	2,300,000
	<u>6,700,000</u>	<u>6,700,000</u>

African Aluminium Ltd

Provision of information to Auditors

Each of the directors has confirmed that so far as he is aware


- There is no relevant audit information of which the company's auditors are unaware, and
- That he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant information and to establish that the company's auditors are aware of that information

Auditors

PKF (UK) LLP have indicated their willingness to continue in office. A resolution will be submitted to the annual general meeting to propose their re-appointment.

This report has been prepared in accordance with the Special Provisions of Part VII of the Companies Act 1985 relating to small companies.

Approved By Order of the Board



S MacGregor
Company Secretary

African Aluminium Ltd

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

African Aluminium Ltd

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AFRICAN ALUMINIUM LTD

We have audited the group and parent company financial statements ('the financial statements') of African Aluminium Limited for the year ended 30 June 2006 which comprise the consolidated profit and loss account, the consolidated and company balance sheets and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom accounting standards ('United Kingdom Generally Accepted Accounting Practice') are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 30 June 2006 and of the group's loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and
- the information given in the directors' report is consistent with the financial statements.

African Aluminium Ltd

Emphasis of matter – going concern and availability of project finance

In forming our opinion, which is not qualified, we have considered the adequacy of disclosures made in note 1 to the financial statements concerning the group's ability to continue as a going concern and progress its bauxite and alumina project. The group's operations are at an early stage and current cash resources will not be sufficient for the next twelve months and to progress this project to the next stage. The directors have reviewed the group's cash flow forecast and believe that the required funds for both working capital and progressing the project will be forthcoming. However, there can be no certainty in this regard. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern and the recoverability of the carrying value of the intangible assets and the debtor due from the subsidiary company. These financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

PKF(UK)LLP
PKF (UK) LLP
Registered Auditors

London, UK

2 October 2007

African Aluminium Ltd

Consolidated profit and loss account

	Notes	Year ended 30 June 2006 £	Period from 24 January 2005 to 30 June 2005 £
Administrative expenses		(70,892)	(34,245)
Operating loss	2	(70,892)	(34,245)
Interest receivable	3	5,221	2,289
Loss on ordinary activities before taxation		(65,671)	(31,956)
Tax on loss on ordinary activities	4		
Loss on ordinary activities after taxation and retained for the period		(65,671)	(31,956)

All amounts relate to continuing operations

All recognised gains and losses are included in the profit and loss account

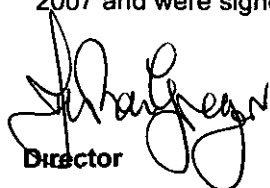
African Aluminium Ltd

Consolidated Balance Sheet

	Notes	30 June 2006 £	30 June 2005 £
Fixed assets			
Intangible fixed assets	5	566,403	171,198
Tangible fixed assets	6	9,475	10,880
		<u>575,878</u>	<u>182,078</u>
Current assets			
Cash at bank and in hand		195,895	455,485
		<u>195,895</u>	<u>455,485</u>
Creditors, amounts falling due within one year	9	(53,566)	(15,080)
Net current assets		<u>142,329</u>	<u>440,405</u>
Total assets less current liabilities		<u>718,207</u>	<u>622,483</u>
Capital and reserves			
Called up share capital	10	143	134
Share premium account	11	791,947	630,561
Merger reserve	11	26,466	26,466
Profit and loss account	11	(100,349)	(34,678)
Shareholders' funds		<u>718,207</u>	<u>622,483</u>

These financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

These financial statements were approved and authorised for issue by the Board of Directors on 21st September 2007 and were signed on their behalf by


Director

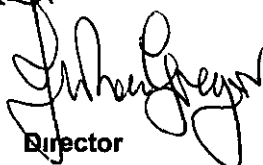
African Aluminium Ltd

Company Balance Sheet

	Notes	30 June 2006 £	30 June 2005 £
Fixed assets			
Investments	7	100	100
		<u>100</u>	<u>100</u>
Current assets			
Debtors – due after more than one year	8	773,880	590,217
		<u>773,880</u>	<u>590,217</u>
Creditors' amounts falling due within one year	9	<u>(48,077)</u>	
Net current assets		<u>725,803</u>	<u>590,217</u>
Total assets less current liabilities		<u>725,903</u>	<u>590,317</u>
Capital and reserves			
Called up share capital	10	143	134
Share premium account	11	791,947	630,561
Profit and loss account	11	(66,187)	(40,378)
Shareholders' funds		<u>725,903</u>	<u>590,317</u>

These financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

These financial statements were approved and authorised for issue by the Board of Directors on 21st September 2007 and were signed on their behalf by


Director

African Aluminium Ltd

Financial statements for the year ended 30 June 2006

Notes to the financial statements

1. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The principal accounting policies of the Company are set out below

Nature of operations and going concern

The Group is at an early stage of development and in common with many mineral exploration companies, it raises funds in discrete tranches. To fund its exploration and project evaluation activities to date the Company has raised equity capital. In the period to 30 June 2005 it raised equity of £630,000 and during the year it has raised a further £161,000. The Directors have reviewed the Group's cash flow forecast which shows that additional funding will be required during 2007 and 2008 for the Company to continue its normal operations. They believe that these funds will be forthcoming. They therefore consider it appropriate to prepare the financial statements on a going concern basis.

The group's current financial resources will not be sufficient to bring the proposed bauxite and alumina project into production and more funding will be required for the next stage of the project, being a pre feasibility study. The Directors are currently seeking the necessary finance to progress the project and believe that they will be successful in raising the required project finance. However, there can be no certainty in this regard and in the event that the Company is unable to secure the further project finance required, the Company will not be able to fully develop the project and the carrying value of the related intangible assets and debtor due from the subsidiary company may become impaired.

Basis of consolidation

The Company was incorporated on 24 January 2005. On 16 February 2005 the Company acquired Argyll Resources Corporation ("ARC"), a company incorporated in Belize on 18 July 2003, by way of a share for share exchange. This acquisition has been consolidated in accordance with the merger accounting principles set out in Financial Reporting Standard 6 and Schedule 4(A) to the Companies Act 1985.

In the Company's balance sheet, the investment in ARC is stated at the nominal value of the shares issued in consideration for that company. As permitted by the Companies Act 1985, no premium has been recorded on the shares issued in consideration. On consolidation, the difference between the value of the shares issued and the capital of ARC has been credited directly to the merger reserve.

Intangible fixed assets

Intangible fixed assets represent licenses and other costs associated with mineral exploration and evaluation, which are capitalised, pending determination of the feasibility of the project. Costs incurred include appropriate technical and administrative expenses but not general overheads. If an exploration project is successful, the related expenditures will be transferred to mining assets and amortised over the estimated life of the commercial ore reserves on a unit of production basis. Where a project is relinquished, abandoned, or is considered to be of no further commercial value to the Group, the related costs are written off.

African Aluminium Ltd

Financial statements for the year ended 30 June 2006

Notes to the financial statements

The recoverability of these deferred exploration and evaluation costs is dependent upon the discovery of economically recoverable ore reserves, the ability of the Group to obtain necessary permitting and financing to complete the development of ore reserves and future profitable production or proceeds from the disposition thereof

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Motor vehicles	4 years
Office equipment	3 years

Functional and foreign currencies

The Company is considered to have a Sterling functional currency. Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Any exchange differences arising from the retranslation of the opening net investment in subsidiary undertakings are taken directly to reserves.

Investments

Investments are stated at cost less provision for any impairment in value.

Operating leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

Deferred taxation

In accordance with FRS 19 full provision is made at current rates for taxation deferred in respect of all timing differences. Deferred tax balances are not discounted.

Deferred tax assets are only recognised where they arise from timing differences where their recoverability in the short term is regarded as more likely than not.

Company profit and loss account

The Company has taken advantage of the exemption conferred by Companies Act 1985 section 230 from publishing its own profit and loss account. The result for the year ended 30 June 2006 was a loss after taxation of £25,809.

2 Operating loss

Operating loss is stated after charging

	Year ended 30 June 2006 £	Period to 30 June 2005 £
Auditors' remuneration		
Audit services (Group)	7,000	6,750
Non audit services	6,500	6,500
Depreciation	3,399	60

African Aluminium Ltd

Financial statements for the year ended 30 June 2006

Notes to the financial statements

2 Operating loss (Continued)

	Year ended 30 June 2006 £	Period to 30 June 2005 £
Fees paid to Directors in respect of consultancy services	<u>155,059</u>	<u>10,795</u>

The Group does not contribute towards pension schemes either in the UK or overseas

3. Net interest receivable

	Year ended 30 June 2006 £	Period to 30 June 2005 £
Interest receivable	<u>5,221</u>	<u>2,289</u>

4 Tax on loss on ordinary activities

No liability to income taxes arises in the period

The current tax credit for the period is lower than the credit resulting from the loss before tax at the standard rate of corporation tax in the UK. The differences are explained below

	Year ended 30 June 2006 £	Period to 30 June 2005 £
Loss on ordinary activities before tax	<u>(65,671)</u>	<u>(31,956)</u>
Current tax at 19% (2005 19%)	<u>(12,477)</u>	<u>(6,072)</u>
Effects of.		
Tax losses carried forward	<u>12,477</u>	<u>6,072</u>
Tax on loss on ordinary activities	<u>-</u>	<u>-</u>

The deferred tax asset relating to trading losses carried forward has not been recognised in the financial statements because there is insufficient evidence of the timing of suitable future taxable profits against which they can be recovered

African Aluminium Ltd

Financial statements for the year ended 30 June 2006

Notes to the financial statements

5 Intangible fixed assets

The Group

	Deferred exploration costs £
Cost and net book value	
As at 30 June 2005	171,198
Additions	395,205
As at 30 June 2006	566,403

6 Tangible fixed assets

The Group

	Motor vehicles £	Office Equipment £	Total £
Cost			
At 1 July 2006	10,940	-	10,940
Additions		1,994	1,994
As at 30 June 2006	10,940	1,994	12,934
Depreciation			
At 1 July 2006	60		60
Charged in period	2,735	664	3,399
As at 30 June 2006	2,795	664	3,459
Net book value			
As at 30 June 2006	8,145	1,330	9,475
As at 30 June 2005	10,880		10,880

7 Investments

The Company

	Subsidiary £
Cost and net book value	
As at 1 July 2005 and 30 June 2006	100

The Company holds an equity interest in the following subsidiary undertaking, which is included in the consolidated financial statements

Name	Holding	Business Activity	Country of Incorporation
Argyll Resources Corporation	100%	Mineral exploration	Belize

African Aluminium Ltd

Financial statements for the year ended 30 June 2006

Notes to the financial statements

8 Debtors

	The Company	
	30 June 2006 £	30 June 2005 £
Amounts due from subsidiary company	<u>773,880</u>	<u>590,217</u>

The debtor is considered to be due after more than one year

9 Creditors' amounts falling due within one year

	The Group		The Company	
	30 June 2006 £	30 June 2005 £	30 June 2006 £	30 June 2005 £
Trade creditors	5,911		915	
Directors loan account		1,830	-	
Accruals and deferred income	13,743	13,250	13,250	
Other tax and social security	33,912		33,912	
	<u>53,566</u>	<u>15,080</u>	<u>48,077</u>	

10. Share capital

	30 June 2006		30 June 2005	
	Number	£	Number	£
Authorised				
Ordinary shares of £ 00001				
Each	<u>10,000,000,000,000</u>	<u>100,000,000</u>	<u>10,000,000,000,000</u>	<u>100,000,000</u>
Allotted, called up and fully paid				
Ordinary shares of £ 00001 each	<u>14,300,000</u>	<u>143</u>	<u>13,440,010</u>	<u>134</u>

On 2 June 2006, the company issued 859,990 ordinary shares of 0 00001p each for cash consideration totalling £161,395

African Aluminium Ltd

Non-statutory financial statements for the year ended 30 June 2006

Notes to the non-statutory financial statements

11 Reconciliation of Movement in Shareholders Funds

The Group

	Share Capital £	Share premium £	Merger reserve £	Profit and loss account £	Total £
At 30 June 2005	134	630,561	26,466	(34,678)	622,483
Retained loss for year	-	-		(65,671)	(65,671)
Shares issued	9	161,386		-	161,395
At 30 June 2006	143	791,947	26,466	(100,349)	718,207

The merger reserve at 24 January 2006 represents the difference between the nominal value of shares issued by the Company and the value of Argyll Resources Corporation received in the share for share exchange on 26 February 2005

The Company

	Share capital £	Share premium £	Profit and loss account £	Total £
At 1 July 2005	134	630,561	(40,378)	590,317
Retained loss for period			(25,809)	(25,809)
Premium received on shares issued	9	161,386		161,395
At 30 June 2006	143	791,947	(66,187)	725,903

12. Capital commitments

At 30 June 2006, the company had annual commitments of £25,000 (2005 £21,000) in respect of exploration and prospecting licenses. This is expected to increase to £71,000 for the subsequent financial year.

13 Related party transactions

Transactions with directors are described in notes 2 and 9. Total amounts repaid to the directors by the group in the year to 30 June 2006 amounted to £1,830 (2005 advanced £34,801).