

AFRICAN ALUMINIUM LIMITED

UNAUDITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

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AFRICAN ALUMINIUM LIMITED

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AFRICAN ALUMINIUM LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2008

The directors present their report and the financial statements for the year ended 30 June 2008.

Principal activities

The principal activity of the Company is the exploration for bauxite and development of a bauxite and alumina project in Sierra Leone and to act as a holding company for its subsidiary Argyll Resources Corporation, a company incorporated in Belize.

The principal activity of Argyll Resources Corporation during the year was the exploration for bauxite and development of a bauxite and alumina project in Sierra Leone.

Directors

The directors who served during the year were:

F Fofana
S B MacGregor
J W MacGregor

Post Balance Sheet Event

On 7 July 2008, by way of a novation agreement, the company assumed responsibility for the repayment of shareholder loans of £202,118 from its subsidiary, Argyll Resources Corporation.

On 14 July 2008, the company sold its entire investment in Argyll Resources Corporation for a consideration of US \$4m comprising of US \$ 1.7 million in cash (of which \$ 1.55 million is deferred until successful stock exchange flotation and institutional share placing) and US \$ 2.3 million in the issued share capital of Sierra Alumina Limited, a company incorporated in the British Virgin Islands, representing a 99.99% holding of the ordinary share capital of Sierra Alumina Limited.

Basis of preparation

The report of the directors has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

This report was approved by the board on 23rd June 2009 and signed on its behalf.

Stuart B. MacGregor

S B MacGregor
Director

AFRICAN ALUMINIUM LIMITED

**ACCOUNTANTS' REPORT TO THE BOARD OF DIRECTORS ON THE
UNAUDITED FINANCIAL STATEMENTS OF AFRICAN ALUMINIUM LIMITED**

In accordance with the engagement letter dated 3 September 2008 and in order to assist you to fulfil your duties under the Companies Act 1985 we have compiled the financial statements of the company for the year ended 30 June 2008, which comprise the profit and loss account, the balance sheet and the related notes, from the accounting records and information and explanations you have given to us.

This report is made to the company's board of directors, as a body, in accordance with the terms of our engagement. Our work has been undertaken so that we might compile the financial statements that we have been engaged to compile, report to the company's board of directors that we have done so, and state those matters that we have agreed to state to them in this 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's board of directors, as a body, for our work or for this report.

We have carried out this engagement in accordance with technical guidance issued by the Institute of Chartered Accountants in England and Wales and have complied with the ethical guidance laid down by the Institute relating to members undertaking the compilation of the financial statements.

You have acknowledged on the balance sheet your duty to ensure that the company has kept proper accounting records and to prepare financial statements that give a true and fair view under the Companies Act 1985. You consider that the company is exempt from the statutory requirement for an audit for the year.

We have not been instructed to carry out an audit of the financial statements. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the financial statements.

PKF(UK)LLP

PKF (UK) LLP

London, UK

23 June 2009

AFRICAN ALUMINIUM LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2008**

	Note	2008 £	2007 £
Administrative expenses		(40,757)	(38,760)
Other operating income	2	<u>6,630</u>	<u>5,110</u>
OPERATING LOSS	3	(34,127)	(33,650)
Interest payable		<u>(6,643)</u>	<u>(2,289)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(40,770)	(35,939)
Tax on loss on ordinary activities	4	<u>-</u>	<u>-</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	10	<u>(40,770)</u>	<u>(35,939)</u>

The notes on pages 5 to 9 form part of these financial statements.

AFRICAN ALUMINIUM LIMITED

**BALANCE SHEET
AS AT 30 JUNE 2008**

	Note	£	2008 £	2007 £
FIXED ASSETS				
Fixed asset investments	5		100	100
CURRENT ASSETS				
Debtors: amounts falling due after more than one year	6	-	743,590	
Debtors: amounts falling due within one year	6	887,422	-	
		<u>887,422</u>	<u>743,590</u>	
CREDITORS: amounts falling due within one year	7	<u>(30,786)</u>	<u>(53,726)</u>	
NET CURRENT ASSETS			856,636	689,864
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>856,736</u>	<u>689,964</u>
CREDITORS: amounts falling due after more than one year	8		<u>(207,542)</u>	-
NET ASSETS			<u><u>649,194</u></u>	<u><u>689,964</u></u>
CAPITAL AND RESERVES				
Called up share capital	9		143	143
Share premium account	10		791,947	791,947
Profit and loss account	10		<u>(142,896)</u>	<u>(102,126)</u>
SHAREHOLDERS' FUNDS			<u><u>649,194</u></u>	<u><u>689,964</u></u>

The directors consider that the company is entitled to exemption from the requirement to have an audit under the provisions of section 249A(1) of the Companies Act 1985 and members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 249B(2) of the Act. The directors acknowledge their responsibilities for ensuring that the company keeps accounting records which comply with section 221 of the Act and for preparing financial statements which give a true and fair view of the state of affairs of the company as at 30 June 2008 and of its loss for the year then ended in accordance with the requirements of section 226 of the Act and which otherwise comply with the requirements of the Companies Act 1985 relating to the financial statements so far as applicable to the company.

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 23rd June 2009.

Stuart B. MacGregor

S B MacGregor
Director

The notes on pages 5 to 9 form part of these financial statements.

AFRICAN ALUMINIUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements and going concern

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007).

The company and its subsidiary comprise a small sized group. The company is therefore exempt from the requirement to prepare group accounts by virtue of section 248 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group.

As detailed in note 13, Post Balance Sheet Events, the company has now sold its subsidiary. The Directors are satisfied that the cash proceeds received at the time of sale provide adequate funding for the company to meet its normal expenses for the foreseeable future, being a period of not less than twelve months from the date of signing these accounts. Shareholders have also indicated that they will not require repayment of the shareholder loans assumed after the year end until such time as the company has adequate funds available.

However, the company does not currently have sufficient funds to repay the convertible loan notes. The Directors have been in contact with the holders of the loan notes and intend to discuss with them the terms of this loan, including repayment date.

The Directors have concluded that it is appropriate to prepare these financial statements on a going concern basis.

1.2 Investments

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

1.3 Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

1.4 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 assets and liabilities 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.

1.5 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account.

AFRICAN ALUMINIUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2. OTHER OPERATING INCOME

	2008	2007
	£	£
Other operating income	6,630	5,110

This represents a contribution paid to African Aluminium Limited by West African Diamonds Plc, a UK company in which James MacGregor is an executive director. James MacGregor sometimes uses the office premises and other resources of African Aluminium Limited to perform work on behalf of West African Diamonds Plc, and this contribution is made to compensate African Aluminium Limited for this.

3. OPERATING LOSS

During the year, no director received any emoluments (2007 - £NIL).

4. TAXATION

The company has tax losses amounting to £101,451 (2007: £70,082) available for offset against future taxable profits. As a result, future tax payments will be reduced until these losses have been utilised. The company has a net potential deferred tax asset of £28,406 (2007: £19,623) representing these tax losses. This potential asset has not been recognised in the financial statements because there is insufficient certainty as to the incidence and timing of future taxable profits against which the losses may be offset.

5. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
Cost or valuation	
At 1 July 2007 and 30 June 2008	100

Subsidiary undertaking

The following was a subsidiary undertaking of the company:

Argyll Resources Corporation (incorporated in Belize) 100% ordinary share capital

The aggregate of the share capital and reserves as at 30 June 2008 and of the profit or loss for the year ended on that date for the subsidiary undertaking was as follows:

	Aggregate of share capital and reserves £	Profit/(loss) £
Argyll Resources Corporation (incorporated in Belize)	(68,774)	(46,973)

AFRICAN ALUMINIUM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

6. DEBTORS

	2008 £	2007 £
Due after more than one year		
Amounts owed by group undertakings	-	743,590
	<u> </u>	<u> </u>
Due within one year		
Amounts owed by group undertakings	886,670	-
Other debtors	752	-
	<u> </u>	<u> </u>
	<u>887,422</u>	<u> </u>

**7. CREDITORS:
Amounts falling due within one year**

	2008 £	2007 £
Trade creditors	-	2,373
Social security and other taxes	-	33,912
Other creditors	30,786	17,441
	<u> </u>	<u> </u>
	<u>30,786</u>	<u>53,726</u>

**8. CREDITORS:
Amounts falling due after more than one year**

	2008 £	2007 £
Convertible loan notes	207,542	-
	<u> </u>	<u> </u>

During the year, African Aluminium Limited (AA) issued 400,000 convertible loan notes with a par value of \$1 per loan note. AA received total cash consideration of \$400,000 (£200,793) in return for these loan notes on 25 March 2008. Compound interest of 1% per month accrues from day to day on the aggregate nominal amount of all issued and outstanding loan notes, and this is capitalised monthly in arrears. The total interest charged on the debentures to 30 June 2008 is £6,598. After taking into account exchange losses of £151, the closing balance of £207,542 has been included within loans falling due after more than one year on the basis that the redemption date of the convertible loan notes is 1 July 2009.

AFRICAN ALUMINIUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

9. SHARE CAPITAL

	2008 £	2007 £
Authorised		
10,000,000,000,000 Ordinary shares of 0.001p each	<u>100,000,000</u>	<u>100,000,000</u>
Allotted, called up and fully paid		
14,300,000 Ordinary shares of 0.001p each	<u>143</u>	<u>143</u>

10. RESERVES

	Share premium account £	Profit and loss account £
At 1 July 2007	791,947	(102,126)
Loss for the year	-	(40,770)
At 30 June 2008	<u>791,947</u>	<u>(142,896)</u>

11. OPERATING LEASE COMMITMENTS

At 30 June 2008 the company had annual commitments under non-cancellable operating leases as follows:

	2008 £	2007 £
Expiry date:		
Within 1 year	<u>-</u>	<u>2,583</u>

12. RELATED PARTY TRANSACTIONS

African Aluminium Limited (AA) is related to West African Diamonds Plc by virtue of the common directorship of James MacGregor. The only transactions between the two companies are disclosed in note 2 to the accounts.

AA is related to Argyll Resources Corporation (Argyll), incorporated in Belize, by virtue of the fact that AA was the sole shareholder of Argyll during the year. During the year, Argyll received £207,993 (2007: £5,110) in cash on behalf of AA and paid expenses and other liabilities of £64,913 (2007: £35,400) on behalf of AA. At 30 June 2008, a balance of £886,670 (2007: £743,590) was due from Argyll to AA and this amount is included within amounts owed by group undertakings due within one year on the basis that the balance was settled in full in July 2008.

Details regarding Argyll are disclosed in note 5 to the financial statements.

AFRICAN ALUMINIUM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

13. POST BALANCE SHEET EVENTS

On 7 July 2008, by way of a novation agreement, the company assumed responsibility for the repayment of shareholder loans of £202,118 from its subsidiary, Argyll Resources Corporation.

On 14 July 2008, the company sold its entire investment in Argyll Resources Corporation for a consideration of US \$4m comprising of US \$ 1.7 million in cash (of which \$ 1.55 million is deferred until successful stock exchange flotation and institutional share placing) and US \$ 2.3 million in the issued share capital of Sierra Alumina Limited, a company incorporated in the British Virgin Islands, representing a 99.99% holding of the ordinary share capital of Sierra Alumina Limited.