

2002

**AUDITED FINANCIAL STATEMENTS OF THE
ARAIMA MINING COMPANY INCORPORATED**

**FOR THE YEAR ENDED
31 DECEMBER 2002**

**AUDITORS: OFFICE OF THE AUDITOR GENERAL
63 HIGH STREET
KINGSTON
GEORGETOWN
GUYANA**



Office of the Auditor General

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AG/4/2004

8 January 2004

**REPORT OF THE AUDITOR GENERAL
TO THE BOARD OF DIRECTORS OF
AROAIMA MINING COMPANY INCORPORATED
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002**

I have audited the financial statements of the Aroaima Mining Company Incorporated for the year ended 31 December 2002. These statements have been prepared under the historical cost convention and in accordance with the accounting policies as set out on page 7.

Respective Responsibilities of Management and Auditors

The preparation of the financial statements, including assertions relating to their completeness, accuracy, validity and compliance with applicable laws, regulation and contractual obligations, is the responsibility of the Management of Aroaima Mining Company Incorporated. My responsibility is to express an independent opinion on the statements based on these assertions, and to report my opinion to you.

Basis of Opinion

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures on the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aroaima Mining Company Incorporated as at 31 December 2002, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

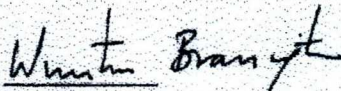


**OFFICE OF THE AUDITOR GENERAL
63 HIGH STREET
KINGSTON, GEORGETOWN, GUYANA**

Aroaima Mining Company Inc.

Balance Sheet
As at December 31, 2002

| | Notes | 2002 C\$ | 2001 C\$ |
|----------------------------------|-------|--------------------|-------------------|
| Current assets | | | |
| Receivables unconsolidated | | | 39,528,344 |
| Related Party Receivable | 3 | 64,383,718 | - |
| Other receivables | | 4,149,816 | 3,160,439 |
| Cash on hand and in bank | | 72,289,438 | 5,454,671 |
| Total current assets | | 140,822,972 | 48,143,454 |
| Current liabilities | | | |
| Trade creditors | | 45,542,943 | 16,304,434 |
| Other creditors and accruals | | 49,997,407 | 31,739,020 |
| Payables unconsolidated | | 45,182,622 | - |
| Total current liabilities | | 140,722,972 | 48,043,454 |
| Net current assets | | 100,000 | 100,000 |
| Net assets | | 100,000 | 100,000 |
| Represented by | | | |
| Stated capital | 4 | 100,000 | 100,000 |


Director


Director

The notes on pages 7 to 9 form an integral part of these financial statements

Aroaima Mining Company Inc.

Statement of Transferred Expenses for the year ended December 31, 2002

| | Notes | 2002 | 2001 GS |
|-----------------------------|----------------------|--------------------|--------------------|
| Production expenses | 7 | 803,075,866 | 890,506,527 |
| Administrative expenses | 8 | 175,731,586 | 85,894,021 |
| Total expenses | | 978,807,452 | 976,400,548 |
| | | | |
| Expenses transferred | 2(c) & 10 | 978,807,452 | 976,400,548 |

The notes on pages 7 to 9 form an integral part of these financial statements

Aroaima Mining Company Inc.

Cash Flow Statement

For the year ended December 31, 2002

| | 2002 GS | 2001 GS |
|---|-------------------|--------------------|
| Cash generated from operations | | |
| Increase/(Decrease) in receivables | 39,528,344 | (5,904,437) |
| Increase/(Decrease) in other receivables | (989,377) | 324,410 |
| Increase in Related Party Receivable | (64,383,718) | - |
| Increase/(decrease) in payables | 29,238,509 | (3,318,130) |
| Increase in other payables | 18,258,387 | 996,073 |
| Increase in Payables Unconsolidated | 45,182,622 | 0 |
| Net increase in cash and cash equivalents | 66,834,767 | (7,902,084) |
| Cash and cash equivalents at January 01 | 5,454,671 | 13,356,755 |
| Cash and cash equivalents at December 31 | 72,289,438 | 5,454,671 |
| Analysis of cash as shown in the balance sheet | | |
| Cash and deposits | 72,289,438 | 5,454,671 |
| | 72,289,438 | 5,454,671 |

The notes on pages 7 to 9 form an integral part of these financial statements.

Aroaima Mining Company Inc.

Notes to the financial statements

For the year ended December 31, 2002

1 Incorporation and principal activities

The company was incorporated in the Co-operative Republic of Guyana on August 22, 1989 under the Companies Act CAP 89:01. It was continued under the Companies Act 1991 on September 2, 1996. Its principal activity is the provision of management services to its parent company, Aroaima Bauxite Company Limited.

2 Statement of accounting policies

(a) Basis of accounting

These financial statements have been prepared under the historical cost convention and no account has been taken of the effects of inflation.

(b) Currency

These financial statements are stated in Guyana dollars. Foreign currency transactions during the year were translated at the exchange rate ruling at the date of each transaction. At the balance sheet date assets and liabilities denominated in foreign currencies are translated at the rates in effect at that date.

(c) Expenditure

Expenses incurred during 2002 are transferred to the parent company.

(e) Tangible fixed assets

The assets used by Aroaima Mining Company Incorporated are the property of Aroaima Bauxite Company Limited.

3 Related Party Receivable - Bermine

The Company commenced managing a sister company, Berbice Mining Company, on September 8th, 2002. All financial transactions, including procurement, payments, financial management are done through AMC. During the period to Year End advances were made to procure supplies and consumables for the operation. The balance reflected in the financial statements is the net result of advances to and receipts on behalf of Bermine.

Aroaima Mining Company Inc.

Notes to the financial statements

For the year ended December 31, 2002

| 4 Stated capital | 2002 G\$ | 2001 G\$ |
|---------------------|-------------|-------------|
| 100 ordinary shares | 100,000 | 100,000 |

By its Articles the company is authorised to issue a maximum of 100 ordinary shares at a minimum issue price of G\$1,000 each.

5 Income

The company generates no income. The principal objective of the company is the provision of management services to its parent company, Aroaima Bauxite Company Limited.

6 Taxation

The company has obtained from the Government of Guyana an exemption from all Corporate Taxes. Accordingly, no provision for taxation is required.

| 7 Production expenses | G\$ | G\$ |
|--------------------------------|--------------------|--------------------|
| Employment costs | \$ 562,850,542 | \$ 585,710,951 |
| Other Employee Benefit | \$ 5,130,402 | \$ - |
| Education/Training | \$ 677,931 | \$ - |
| Accommodation and meals | \$ 3,858,178 | \$ 10,790,176 |
| Fuel, oil and lubricants | \$ 5,685,834 | \$ 1,178,867 |
| Freight, cartage and demurrage | \$ 6,759,960 | \$ 32,314,213 |
| Port and pilotage | \$ - | \$ 8,932,810 |
| Transshipping | \$ 86,400 | \$ - |
| Outside services | \$ 138,823,903 | \$ 180,559,902 |
| Rental of equipment | \$ 28,302,438 | \$ 4,810,400 |
| Rental of Buildings | \$ 580,000 | \$ - |
| Repairs and maintenance | \$ 25,547,331 | \$ 35,650,305 |
| Cleaning Materials etc | \$ 1,807,227 | \$ - |
| Safety Gears | \$ 237,734 | \$ - |
| Insurance | \$ 2,507,212 | \$ 1,781,481 |
| Sundry supplies | \$ 1,095,509 | \$ 23,293,907 |
| Loose tools | \$ 2,554,504 | \$ 207,350 |
| Chemicals | \$ - | \$ 44,000 |
| Electricity | \$ 16,585 | \$ - |
| Telephone -Internet | \$ 5,715,739 | \$ - |
| Office Supplies | \$ 1,491,021 | \$ - |
| Subscription | \$ 93,370 | \$ - |
| Donations | \$ 576,420 | \$ - |
| Postage | \$ 699,996 | \$ 52 |
| Printing | \$ 249,655 | \$ - |
| Professional Fees | \$ 197,600 | \$ - |
| Employee gratuities | \$ 3,935,998 | \$ 5,232,118 |
| Miscellaneous | \$ 3,594,037 | \$ - |
| Total | 803,075,866 | 890,506,527 |

Aroaima Mining Company Inc.

Notes to the financial statements

For the year ended December 31, 2002

| | 2002 G\$ | 2001 G\$ |
|----------------------------------|--------------------|-------------------------|
| 8 Administrative expenses | | |
| Salaries - clerical | 104,540,822 | 18,668,636 |
| Social security contributions | 3,536,727 | 24,261,226 |
| Employment Cost - Expat | 2,391,404 | - |
| Employee Benefit | 624,213 | - |
| Office supplies | 3,120,792 | 2,188,860 |
| Printing | 226,219 | 2,238,152 |
| Professional fees | 6,591,089 | 1,591,512 |
| Rental of building | 6,870,000 | 18,892,000 |
| Telephone and telex | 2,496,997 | 7,782,212 |
| Subscription | 341,110 | 393,250 |
| Donation | 394,930 | 1,043,100 |
| Accommodation and meals | 4,511,085 | 5,558,576 |
| Sales, meetings & conventions | 8,790 | 75,400 |
| Directors' fees | 119,000 | 240,140 |
| Other taxes | 14,518 | 46,794 |
| Electricity | 1,228,265 | 2,914,163 |
| Freight | 7,307,906 | - |
| Insurance | 90,000 | - |
| Outside Services | 18,144,072 | - |
| Lubricants & Other Supplies | 1,653,771 | - |
| Cleaning Materials etc | 438,893 | - |
| Safety Gears | 437,770 | - |
| Loose Tools | 556,615 | - |
| Repair & Maintenance | 9,961,681 | - |
| Miscellaneous | 125,684 | - |
| Total | 175,731,586 | \$ 85,894,020.68 |

9 Accommodation and meals have been apportioned as follows:

| | |
|----------------|-----|
| Production | 2/3 |
| Administration | 1/3 |

Details of directors emoluments for the year are as follows:

Names

| | | |
|------------------|----------------|---------------|
| Mr. Robeson Benn | 49,000 | 0 |
| Mr. Nheedkumar | 70,000 | 96,000 |
| Total | 119,000 | 96,000 |