

**2004**

**AROAIMA MINING COMPANY LIMITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**



*Audit Office of Guyana*

*P.O. Box 1002, 63 High Street, Kingston, Georgetown, Guyana  
Tel. 592-225-7592, Fax: 592-226-7257, <http://www.audit.gov.gy>*

AG: 86/2006

14 July 2006

**REPORT OF THE AUDITOR GENERAL  
TO THE BOARD OF DIRECTORS  
ARAIMA MINING COMPANY LIMITED  
ON THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004**

Chartered Accountants, Nizam Ali & Company, have audited on my behalf the financial statements of Aroaima Mining Company Limited for the year ended 31 December 2004, as set out on pages 2 to 15. The audit was conducted in accordance with the Audit Act 2004

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

As required by the Audit Act 2004, I have reviewed the audit plan and procedures, work papers, report and opinion of the Chartered Accountants. I have also had detailed discussions with the Chartered Accountants on all matters of significance to the audit. I concur with the opinion, as attached hereto, of Chartered Accountants, Nizam Ali & Company.



AUDIT OFFICE  
63 HIGH STREET  
KINGSTON  
GEORGETOWN  
GUYANA



## Nizam Ali & Company

Chartered Accountants

9 Church Street  
Georgetown  
Guyana

Tel: (592)-225-9291

(592)-227-8825

Telefax (592)-227-8824

E-mail: nizamali@guyana.net.gy

**REPORT OF CHARTERED ACCOUNTANTS  
NIZAM ALI & COMPANY  
TO THE AUDITOR GENERAL  
ON THE FINANCIAL STATEMENTS OF  
AROAIMA MINING COMPANY LIMITED.  
FOR THE YEAR ENDED DECEMBER 31, 2004**

We have audited the attached financial statements of Aroaima Mining Company Limited for the year ended December 31, 2004 as set out on pages 2 to 15. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following two paragraphs, we conducted our audit in accordance with Office of the Auditor General's auditing standards and other generally accepted auditing standards including International Standards on Auditing. Those standards require that we 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 in 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. We believe that our audit provides a reasonable basis for our opinion.

We were not appointed auditors of the company until after December 31, 2004 and were therefore, unable to observe the counting of physical inventories at that date or satisfy ourselves concerning those inventory quantities or values by other auditing procedures. We are, therefore unable to determine whether any adjustment might be necessary to the inventory stated at \$865,643,130 as at December 31, 2004.

As described in note 2(a), during October 2004, certain assets and liabilities of a state-controlled entity were transferred to the company by presidential order. The presidential order did not explicitly state whether transferred liabilities included a possible mining lease obligation of the state-controlled entity. The company has not recorded in its balance sheet any amount in relation to this possible obligation. We were unable to extend our auditing procedures sufficiently to satisfy ourselves as to whether any such mining lease obligation exists and should have been recorded at year end.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to extend our auditing procedures sufficiently as described in the two preceding paragraphs, the financial statements present fairly, in all material respects, the financial position of the company as of December 31, 2004, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards adopted by the Institute of Chartered Accountants of Guyana.

*Nizam Ali & Company*  
Chartered Accountants  
Georgetown, Guyana

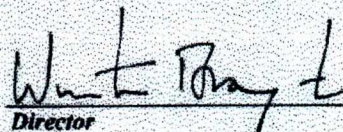
June 22, 2006

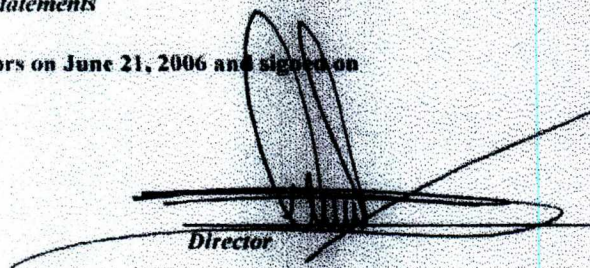
**Aroaima Mining Company Limited**  
**Balance Sheet**  
**As at December 31, 2004**  
**(expressed in Guyana dollars)**

|   | Notes | <u>2004</u><br>\$           | <u>2003</u><br>\$        |
|---|-------|-----------------------------|--------------------------|
| <b>Current assets</b>                             |       |                             |                          |
| Cash  | 4     | 109,406,454                 | 42,628,495               |
| Trade accounts receivables                        | 5     | 749,045,846                 | -                        |
| Other receivables                                 | 6     | 30,725,244                  | 19,476,565               |
| Due from officers and employees                   |       | 2,704,482                   | -                        |
| Inventories                                       | 7     | 865,643,130                 | -                        |
| <b>Total current assets</b>                       |       | <u>1,757,525,156</u>        | <u>62,105,060</u>        |
| Property, plant and equipment                     | 10    | 1,237,137,995               | -                        |
| <b>Total Assets</b>                               |       | <u><u>2,994,663,151</u></u> | <u><u>62,105,060</u></u> |
| <b>Liabilities and Stockholders' Equity</b>       |       |                             |                          |
| <b>Current liabilities</b>                        |       |                             |                          |
| Borrowing from banks                              | 11    | 59,868,666                  | -                        |
| Capital lease obligation                          | 12    | 35,231,724                  | -                        |
| Trade accounts payable                            | 13    | 792,863,676                 | 53,321,557               |
| Other liabilities and accrued expenses            | 14    | 84,974,670                  | 82,362,672               |
| Payables unconsolidated                           |       | -                           | (73,679,169)             |
| <b>Total current liabilities</b>                  |       | <u>972,938,736</u>          | <u>62,005,060</u>        |
| <b>Total liabilities</b>                          |       | 972,938,736                 | 62,005,060               |
| <b>Stockholders' equity</b>                       |       |                             |                          |
| Common stock of AMC                               | 9     | 100,000                     | 100,000                  |
| Merger Equity                                     | 8     | 2,858,067,522               | -                        |
| Accumulated loss                                  |       | (836,443,107)               | -                        |
|   |       | <u>2,021,724,415</u>        | <u>100,000</u>           |
| <b>Total liabilities and stockholders' equity</b> |       | <u><u>2,994,663,151</u></u> | <u><u>62,105,060</u></u> |

*The notes on pages 6 to 15 form an integral part of these financial statements*

These financial statements were approved by the Board of Directors on June 21, 2006 and signed on its behalf by

  
 Director

  
 Director

**Aroaima Mining Company Limited**  
**Statement of loss**  
**For the year ended December 31, 2004**  
**(Expressed in Guyana Dollars)**

|                                  | Notes | <u>2004</u><br>\$    | <u>2003</u><br>\$ |
|----------------------------------|-------|----------------------|-------------------|
| Sales                            |       | 7,320,828,756        |                   |
| Cost of services rendered by ABC | 15    | (6,970,132,113)      |                   |
| Employment cost                  |       | (1,175,670,738)      |                   |
| Depreciation                     |       | (46,211,332)         |                   |
| <b>Operating loss</b>            |       | <b>(871,185,427)</b> | <b>-</b>          |
| Community service expense        | 16    | (6,967,620)          |                   |
| Other Income                     |       | 41,709,939           |                   |
| <b>Net loss</b>                  |       | <b>(836,443,107)</b> | <b>-</b>          |

*The notes on pages 6 to 15 form an integral part of these financial statements*

**Aroaima Mining Company Limited**  
**Statement of Changes in Shareholders' Equity**  
**For the year ended December 31, 2004**  
**(Expressed in Guyana Dollars)**

|  | Common stock   | Merger Equity        | Accumulated Loss     | Total stockholders' Equity |
|--|----------------|----------------------|----------------------|----------------------------|
| Balances at January 1, 2003  | 100,000        |                      | -                    | 100,000                    |
| <b>Balances at December 31, 2003</b>   | <b>100,000</b> | -                    | -                    | <b>100,000</b>             |
| Balances at January 1, 2004  | 100,000        | -                    | -                    | 100,000                    |
| Excess of the value of assets acquired from Bermine and ABC over the value of liabilities acquired |                | 2,858,067,522        |                      | 2,858,067,522              |
| Net loss for the year  |                |                      | (836,443,107)        | (836,443,107)              |
| <b>Balances at December 31, 2004</b>   | <b>100,000</b> | <b>2,858,067,522</b> | <b>(836,443,107)</b> | <b>2,021,724,415</b>       |

*The notes on pages 6 to 15 form an integral part of these financial statements*

**Aroaima Mining Company Limited**  
**Statement of Cash Flows**  
**For the year ended December 31, 2004**  
**(Expressed in Guyana Dollars)**

|   | <u>2004</u>               | <u>2003</u>              |
|---|---------------------------|--------------------------|
|   | \$                        | \$                       |
| <b>Cash flow from operating activities</b>  |                           |                          |
| Net loss  | (836,443,107)             | -                        |
| <b>Adjustments to reconcile net loss to net cash use in operating activities:</b> |                           |                          |
| Depreciation of property, plant and equipment                                     | 46,211,332                | -                        |
| Increase in trade accounts receivable   | (749,045,846)             | -                        |
| Increase in related party receivables   | -                         | 64,383,718               |
| (Decrease) increase in other receivables  | 839,776,012               | (15,326,749)             |
| Decrease in inventories   | 467,837,992               | -                        |
| (Decrease) increase in trade accounts payable                                     | (19,632,586)              | 7,778,614                |
| Increase in other liabilities   | 794,592                   | 32,365,265               |
| Increase in payables unconsolidated   | 73,679,169                | (118,861,791)            |
| <b>Net cash used in operating activities</b>                                      | <u>(176,822,443)</u>      | <u>(29,660,943)</u>      |
| <b>Cash flows from financing activities</b>                                       |                           |                          |
| Cash received from ABC and Bermine  | 194,818,368               | -                        |
| Borrowings from bank  | 59,868,666                | -                        |
| Payment under capital lease obligation  | (11,086,632)              | -                        |
| <b>Net cash flows from financing activities</b>                                   | <u>243,600,402</u>        | <u>-</u>                 |
| <b>Net increase (decrease) in cash and cash equivalents</b>                       | <b>66,777,959</b>         | <b>(29,660,943)</b>      |
| Cash and cash equivalents at the beginning of the year                            | 42,628,495                | 72,289,438               |
| <b>Cash and cash equivalents at the end of the year</b>                           | <u><b>109,406,454</b></u> | <u><b>42,628,495</b></u> |

*The notes on pages 6 to 15 form an integral part of these financial statements*



**Aroaima Mining Company Limited**  
**Notes to the financial statements**  
**December 31, 2004**  
**(Expressed in Guyana Dollars)**

---

**I. Nature of operations and basis of presentation**

*(a) Organisation and operations*

Aroaima Mining Company, Ltd. was initially established as a 100% subsidiary of Aroaima Bauxite Company, Ltd (ABC). During November 2004 Aroaima Bauxite Company, Ltd. sold its shares in Aroaima Mining Company, Ltd. to its shareholder. As a result the Companies had a common shareholder as at December 31, 2004.

The Company operates a bauxite mine in Kwakwani, Guyana and sell various types of bauxite. The production facilities are located in Aroaima and Everton, Guyana, and the main office is situated in Georgetown, Guyana.

The major customer of the Company is Alcoa World Alumina LLC. It is located in the United States of America and operates in the aluminum industry. Sales to this customer represent 83% of the total sales of the Companies and respective trade accounts receivable represent 98% of the total balance of trade accounts receivable as at December 31, 2004.

There are single suppliers of certain transportation and equipment-maintenance services used by the Company:

- Viceroy Shipping, Ltd. – transportation of bauxite to customers;
- J.P. Knight, Ltd. – transportation of bauxite by the Berbice river;
- Boskalis International B.V. – maintenance (dredging) of the basin in New Amsterdam, Guyana;
- Machinery Corporation of America, Ltd. – maintenance of mining equipment.

Loss of business relationships with any of such suppliers may have significant adverse economic effect on the company.

The Company's relationships with the hourly-paid employees are regulated by a collective labor agreement. This agreement expired on December 31, 2003 and was prolonged by the mutual consent of the parties until a new one comes into existence. All hourly-paid employees are covered by the agreement, regardless of their membership in the trade union.

**Aroaima Mining Company Limited**  
**Notes to the financial statements**  
**December 31, 2004**  
**(Expressed in Guyana Dollars)**

---

**2. Summary of Significant Accounting Policies and Practices**

**(a) Contribution of Berbice Mining Enterprise, Ltd (Bermine) and Aroaima Bauxite Company Limited (ABC)**

During October 2004 certain assets and liabilities of Bermine were transferred to Aroaima Mining Company Ltd. by a Vesting Order 25/2004 signed by the President of Guyana. Bermine was owned by the Government of Guyana and dissolved after the transaction. The assets and liabilities transferred were reflected in financial statements at predecessor carrying values. The transaction was recorded as a merger and the net difference between assets and liabilities were accounted for as merger equity.

Prior to the transaction Bermine held a mining lease granted by the Government of Guyana, which was terminated by the Vesting Order 25/2004 upon the transaction. Pursuant to the terms and conditions of the mining lease prior to its termination, Bermine had to make certain lease payments to the Government of Guyana during the use of the lease. No such lease payments were made prior to the transaction and no accrual was recorded by Bermine at the time of the transaction. However, the Vesting Order 25/2004 referred to above did not explicitly exclude such possible obligation from the liabilities being transferred to Aroaima Mining Company Ltd. as part of the transaction and the decision to demand lease payments in relation to the terminated lease in the future remains at the discretion of the Government of Guyana. Management of the Companies considers the likelihood of future cash outflow in relation to the mining lease held by Bermine prior to the transaction less than probable, and therefore no provision was recorded in these financial statements.

Should the Government of Guyana claim the lease payments described above from Aroaima Mining Company, Ltd. as a successor of Bermine the amount of such payment would be significant to these financial statements.

During November 2004 all assets and liabilities of ABC were transferred to Aroaima Mining Company Ltd., However, ABC continued to exist as a separate legal entity. The assets and liabilities were reflected in these financial statements at predecessor carrying values.

**(b) Going concern**

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business.

**(c) Trade Accounts Receivable**

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The company review the trade accounts receivable and determine the necessity and amount of an allowance for doubtful accounts as their best estimate of probable credit losses in the existing accounts receivable. The company does not have any off-balance-sheet credit exposure related to its customers.

**Aroalma Mining Company Limited**  
**Notes to the financial statements**  
**December 31, 2004**  
**(Expressed in Guyana Dollars)**

---

**2. Summary of Significant Accounting Policies and Practices, continued**

**(d) Inventories**

Inventories are stated at the lower of cost or market value. Cost is determined using the weighted average method.

**(e) Property, Plant, and Equipment**

Property, plant and equipment are stated at predecessor carrying values less accumulated depreciation. Depreciation is provided on a straight line basis at rates estimated to write-off the assets over their expected useful lives as follows:

|                            |               |
|----------------------------|---------------|
| Construction and buildings | 1 to 27 years |
| Machinery and equipment    | 1 to 16 years |
| Other property             | 1 to 8 years  |

**(g) Income Taxes**

The Company is exempt from paying income taxes in Guyana.

**(h) Impairment of Long-Lived Assets**

In accordance with best practice, long lived assets, such as property, plant, and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet.

**(i) Use of Estimates**

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

**Aroaima Mining Company Limited**  
**Notes to the financial statements**  
**December 31, 2004**  
**(Expressed in Guyana Dollars)**

**2. Summary of Significant Accounting Policies and Practices, continued**

**(j) Revenue Recognition**

The Company recognizes revenue when the bauxite is shipped and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

**(k) Reporting and functional currency**

The Company has determined that the functional currency for their operations is the US dollar as a significant portion of the Company's business is conducted in US dollars and management uses the US dollar to manage the company's financial risks and exposures, and to measure its performance. However, the accompanying financial statements have been presented in local currency (GY\$) for local reporting purposes. The rate of exchange used is GS/US\$ = 198/1

**3. Non- Cash Transactions**

During the year the company acquired certain assets and liabilities from two related companies, Bermine and ABC. The company could not establish conclusively the value of assets and liabilities acquired. The value of assets and liabilities was established at year end and rolled back to November 1, 2004 to determine the value of net assets transferred. Based on the calculations the value of assets (excluding cash) and liabilities transferred were as follows:

**ASSETS**

|                               |                      |
|-------------------------------|----------------------|
| Trade receivables             | -                    |
| Other receivables             | 853,729,173          |
| Inventory                     | 1,333,481,122        |
| Property, plant and equipment | 1,283,349,326        |
|                               | <u>3,470,559,621</u> |

**LIABILITIES**

|                          |                             |
|--------------------------|-----------------------------|
| Trade Payables           | (759,174,705)               |
| Other Payables           | (1,817,406)                 |
| Capital Lease obligation | (46,318,356)                |
|                          | <u>(807,310,467)</u>        |
| <b>NET</b>               | <u><u>2,663,249,154</u></u> |

**Aroaima Mining Company Limited**  
**Notes to the financial statements**  
**December 31, 2004**  
**(Expressed in Guyana Dollars)**

**4. Cash**

The cash balance includes GY\$ 46,988,243 of cash held by Southern Star Shipping Co., Inc. as an agent acting under a limited agency agreement. This agreement provides that the agent receives payments for the sales of bauxite from Alcoa World Alumina LLC and uses the cash to make payments to certain suppliers viz. Viceroy Shipping, Ltd., J.P. Knight, Ltd. and Boskalis International B.V. The balance of cash remaining after such payments are made is to be remitted to the Company.

|                            | <u>2004</u>        | <u>2003</u>       |
|----------------------------|--------------------|-------------------|
|                            | \$                 | \$                |
| Balance as per accounts    | 62,418,210         | 42,628,495        |
| Cash held by Southern Star | 46,988,243         | -                 |
| <b>Balance</b>             | <u>109,406,454</u> | <u>42,628,495</u> |

**5. Trade accounts receivables**

|                     | <u>2004</u>        | <u>2003</u> |
|---------------------|--------------------|-------------|
|                     | \$                 | \$          |
| Alcoa World Alumina | 736,378,796        |             |
| Other customers     | 12,667,050         |             |
| <b>Total</b>        | <u>749,045,846</u> | <u>-</u>    |

Trade accounts receivable with the carrying amount of GY\$ 59,868,666 as at December 31, 2004 serve as collateral for the credit facility extended to the Company (see note 11).

**6. Other receivables**

As at December 31, 2004 other receivables comprised a detention fee withheld by Viceroy Shipping, Ltd. and repaid after December 31, 2004.

**Aroaima Mining Company Limited**  
**Notes to the financial statements**  
**December 31, 2004**  
**(Expressed in Guyana Dollars)**

**7. Inventories**

|                                      | <u>2004</u>          | <u>2003</u> |
|--------------------------------------|----------------------|-------------|
|                                      | \$                   | \$          |
| <b>Bauxite inventories</b>           |                      |             |
| Finished goods                       | 45,177,660           |             |
| Crude ore                            | 264,292,182          |             |
| <b>Total Bauxite inventories</b>     | <u>309,469,842</u>   | <u>-</u>    |
| <b>Supplies inventories</b>          |                      |             |
| Fuel                                 | 69,598,584           |             |
| Mechanical spares and lubricants     | 944,191,116          |             |
| <b>Supplies inventories at cost</b>  | <u>1,013,789,700</u> |             |
| Reserve for obsolescence of supplies | (457,616,412)        |             |
| <b>Total Supplies inventories</b>    | <u>556,173,288</u>   | <u>-</u>    |
| <b>Total inventories</b>             | <u>865,643,130</u>   | <u>-</u>    |

**8. Merger Equity**

This represents the net assets and liabilities transferred from Bermine and ABC to AMC.

|                               | <u>2004</u>          | <u>2003</u> |
|-------------------------------|----------------------|-------------|
|                               | \$                   | \$          |
| Total assets transferred      | 3,665,377,984        | -           |
| Total liabilities transferred | (807,310,462)        | -           |
| <b>Merger Equity</b>          | <u>2,858,067,522</u> | <u>-</u>    |

**9. Common Stock (stated capital)**

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.

**Aroaima Mining Company Limited**  
**Notes to the financial statements**  
**December 31, 2004**  
**(Expressed in Guyana Dollars)**

**(10) Property, plant and equipment**

|                             | <b>Plant, machinery<br/>&amp; equipment<br/>\$</b> | <b>Motor<br/>Vehicles<br/>\$</b> | <b>Furniture<br/>&amp;<br/>Fittings<br/>\$</b> | <b>Office<br/>Equipment<br/>&amp; Computers<br/>\$</b> | <b>Buildings<br/>\$</b> | <b>Total<br/>\$</b>  |
|-----------------------------|--|----------------------------------|--|--|-------------------------|----------------------|
| <i>Valuation</i>            | 925,275,141  | 46,052,663                       | 22,694,688                                     | 5,183,905  | 284,142,930             | 1,283,349,326        |
| <b>At December 31, 2004</b> | <b>925,275,141</b>                                 | <b>46,052,663</b>                | <b>22,694,688</b>                              | <b>5,183,905</b>                                       | <b>284,142,930</b>      | <b>1,283,349,326</b> |
| <br>                        |  |                                  |  |  |                         |                      |
| <i>Current year charges</i> | 35,923,475   | 3,063,516                        | 2,027,254                                      | 402,254  | 4,794,832               | 46,211,332           |
| <b>At December 31, 2004</b> | <b>35,923,475</b>                                  | <b>3,063,516</b>                 | <b>2,027,254</b>                               | <b>402,254</b>   | <b>4,794,832</b>        | <b>46,211,332</b>    |
| <br>                        |  |                                  |  |  |                         |                      |
| <i>Net Book Value</i>       |  |                                  |  |  |                         |                      |
| <b>At December 31, 2004</b> | <b>889,351,666</b>                                 | <b>42,989,147</b>                | <b>20,667,433</b>                              | <b>4,781,651</b>                                       | <b>279,348,097</b>      | <b>1,237,137,995</b> |

Property, plant and equipment are stated at predecessor carrying values. Predecessor carrying values are arrived at based on a valuation done by an independent appraisal company, ZAO Deloitte and Touche CIS.

In performing a valuation of property, plant and equipment, the independent appraisal company employed appraisal techniques to determine both historical cost and fair market value (in-use) for the appraised property in US dollar terms. The first step in estimating the historic cost and fair market value of the fixed assets entailed estimating the cost of replacement new (CRN). The CRN reflect the cost to reproduce the existing property in like kind. To arrive at an appropriate estimate of original historic cost, the CRN was back-trended according to the actual age of the asset. The historic cost of the asset was then depreciated using estimates of economic useful lives.

**Aroaima Mining Company Limited**  
**Notes to the financial statements**  
**December 31, 2004**  
**(Expressed in Guyana Dollars)**

**11. Borrowing from banks**

Aroaima Bauxite Company, Ltd. obtained short-term financing from National Bank of Industry and Commerce (Guyana) pledged by proceeds from settlement of trade accounts receivable by Alcoa World Alumina LLC. In November 2004 all liabilities of Aroaima Bauxite Company, Ltd. including the obligations to National Bank of Industry and Commerce (Guyana) were transferred to Aroaima Mining Company, Ltd. (see note 2(a)). Interest rate is 12% per annum. The balance of borrowings from banks consisted of:

|                  | <u>2004</u>       | <u>2003</u> |
|------------------|-------------------|-------------|
|                  | \$                | \$          |
| Principal        | 59,400,000        |             |
| Interest accrued | 468,666           |             |
| <b>Total</b>     | <u>59,868,666</u> | <u>-</u>    |

**12. Leases**

As at December 31, 2004 Aroaima Mining Company, Ltd. had capital lease obligations relating to certain plant and equipment. The lease was originally scheduled to be paid in full before December 31, 2004. However the payments under the lease were past due and the liability of GY\$ 35,231,724 was not settled until after December 31, 2004.

The lease agreement was originally made between Berbice Mining Enterprise, Ltd. and Citicorp Merchant Bank Limited, a company incorporated in Trinidad and Tobago. In October 2004 the remaining obligations under the lease was transferred to Aroaima Mining Company, Ltd. (see note 2(a)). Under the terms of the lease Aroaima Mining Company, Ltd. has an option to purchase the leased plant and equipment upon termination of the lease at a price equal to the outstanding obligation to the lessor plus any taxes payable on transfer.

At December 31, 2004 the gross amount of plant and equipment and related accumulated amortization recorded under capital leases were as follows:

|  | <u>2004</u>       | <u>2003</u> |
|--|-------------------|-------------|
|  | \$                | \$          |
| Cost   | 323,334,000       |             |
| Accumulated depreciation and impairment losses | (247,799,574)     |             |
| <b>Total</b>                                   | <u>75,534,426</u> | <u>-</u>    |



**Aroaima Mining Company Limited**  
**Notes to the financial statements**  
**December 31, 2004**  
**(Expressed in Guyana Dollars)**

**13. Trade accounts payable**

|  | <u>2004</u>        |  | <u>2003</u> |
|--|--------------------|--|-------------|
|  | \$                 |  | \$          |
| Guyana Oil Company, Ltd.               | 267,223,374        |  |             |
| Viceroy Shipping, Ltd.                 | 222,740,496        |  |             |
| J.P. Knight, Ltd.                      | 122,839,200        |  |             |
| Boskalis International B.V.            | 46,193,400         |  |             |
| Machinery Corporation of Guyana, Ltd.  | 28,393,200         |  |             |
| Texaco Eastern Caribbean, Ltd.         | 18,633,582         |  |             |
| Sugrim Industries, Ltd.                | 11,008,800         |  |             |
| Machinery Corporation of America, Ltd. | 11,498,850         |  |             |
| Other suppliers                        | 64,332,774         |  |             |
| <b>Total</b>                           | <u>792,863,676</u> |  | <u>-</u>    |
|  | <u>2004</u>        |  | <u>2003</u> |
|  | \$                 |  | \$          |

**14. Other liabilities and accrued expenses**

|                                       |                   |  |          |
|---------------------------------------|-------------------|--|----------|
| Accrued vacation liability            | 37,215,684        |  |          |
| PAYE payable on behalf of employees   | 22,584,474        |  |          |
| Amounts due to employees              | 17,523,198        |  |          |
| National Insurance Scheme tax payable | 4,036,428         |  |          |
| Safety incentive accrual              | 3,400,848         |  |          |
| Other items                           | 214,038           |  |          |
| <b>Total</b>                          | <u>84,974,670</u> |  | <u>-</u> |

**15. Services rendered by ABC**

ABC and AMC entered into an agreement whereby, ABC will use its assets and other facilities to produce bauxite from ore owned by AMC. The cost will be determined as per equipment, asset rental and service agreement entered into by AMC and ABC.

**Aroaima Mining Company Limited**  
**Notes to the financial statements**  
**December 31, 2004**  
**(Expressed in Guyana Dollars)**

**16. Community service expense**

Under the arrangements with governmental authorities of Guyana the company provides services to local communities. The Government of Guyana partly reimburses the Companies for costs of the services provided. In 2004 the Company received GY\$ 170,975,178 as a reimbursement.

|  | <u>2004</u>          | <u>2003</u> |
|--|----------------------|-------------|
|  | \$                   | \$          |
| Fuel   | (90,030,600)         |             |
| Staff costs                                  | (48,189,042)         |             |
| Supplies and spare parts                     | (30,139,956)         |             |
| Other costs                                  | (9,583,200)          |             |
| <b>Total community service expense</b>       | <u>(177,942,798)</u> |             |
| <b>Total reimbursements for the period</b>   | <u>170,975,178</u>   |             |
| <b>Net position at the end of the period</b> | <u>(6,967,620)</u>   |             |

**17. Commitments and Contingencies**

*Mining lease rights*

In October 2004 certain assets and liabilities of Berbice Mining Enterprise, Ltd. were transferred to Aroaima Mining Company, Ltd. by Vesting Order 25/2004. A mining lease held by Berbice Mining Enterprise, Ltd. at the time of the transfer has been terminated by the Vesting Order. The Vesting Order also stipulated that a new mining lease was to be issued to Aroaima Mining Company, Ltd. The Companies continued to excavate the mine subsequent to the transfer and prior to the new lease being issued, and are currently in the process of obtaining the new lease from the Government of Guyana.

*Environmental Remediation Costs*

The operations of the Companies involve mining of bauxite that causes negative effect on the environment. The Companies have no specific site restoration action plan and based on their interpretations of applicable laws and regulations management does not expect to incur any costs associated with restoration of the environment.

*Legal Proceedings*

Aroaima Mining Company, Ltd. is involved in various other claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Companies' combined financial position, results of operations, or liquidity.