

2005

**AUDITED FINANCIAL STATEMENT OF
THE AROAIMA MINING COMPANY LIMITED**

**FOR THE YEAR ENDED
31 DECEMBER 2005**

**AUDITORS: AUDIT OFFICE
63 HIGH STREET
KINGSTON
GEORGETOWN
GUYANA**



Audit Office of Guyana

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AG: 89/2006

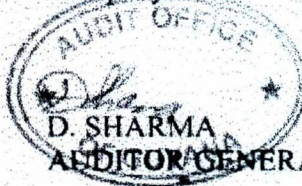
25 August 2006

REPORT OF THE AUDITOR GENERAL
TO THE BOARD OF DIRECTORS
AROAIMA MINING COMPANY LIMITED
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

Chartered Accountants, Nizam Ali & Company, have audited on my behalf the financial statements of Aroaima Mining Company Limited for the year ended 31 December 2005, as set out on pages 2 to 16. 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 your 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.



D. SHARMA
AUDITOR GENERAL (ag.)

AUDIT OFFICE
63 HIGH STREET
KINGSTON
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Nizam Ali & Company

Chartered Accountants

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**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, 2005**

We have audited the attached financial statements of Aroaima Mining Company Limited for the year ended December 31, 2005 as set out on pages 2 to 16. 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 three paragraphs, we conducted our audit in accordance with The Audit Office'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.

The company has not maintained adequate accounting records regarding the cost of spares parts inventory, it is impractical to satisfy ourselves as to the cost of spares parts inventory stated at \$1,206,958,036 and supplies cost amounting to \$3,080,493,944 included in the cost of goods sold, selling, general and administrative expenses and community service expenses.

The company could not reconcile its trade accounts payable to the general ledger, we are therefore uncertain as to the completeness and accuracy of trade accounts payable stated at \$1,145,529,050.

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 three preceding paragraphs, the financial statements present fairly, in all material respects, the financial position of the company as of December 31, 2005 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

August 10, 2006

Correspondent firm of
KPMG International, a Swiss association

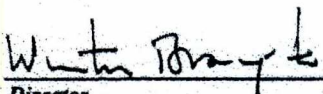
Partner:
Nizam Ali - FCCA, ATII

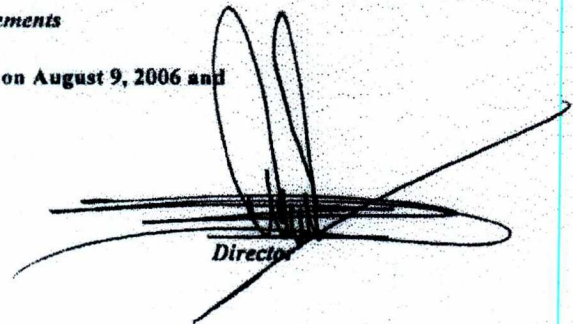
Arosima Mining Company Limited
Balance Sheet
As at December 31, 2005
(With comparatives figures for 2004)
(expressed in Guyana dollars)

	Notes	2005 \$	2004 \$
Current assets			
Cash	3	6,841,529	109,406,454
Trade accounts receivable	4	717,401,198	749,045,846
Other receivables	5	78,738,703	30,725,244
Due from officers and employees		-	2,704,482
Due from affiliated company		757,339	-
Inventories	6	1,348,278,802	865,643,130
Total current assets		2,152,017,571	1,757,525,156
Property, plant and equipment	9	1,045,007,432	1,237,137,995
Investments		2,000,000	-
Total Assets		3,199,025,002	2,994,663,151
Liabilities and stockholders' equity			
Current liabilities			
Borrowing from banks	10	241,499,200	59,868,666
Advances from related party		323,999,980	-
Capital lease obligation		-	35,231,724
Trade accounts payable	11	1,145,529,050	792,863,676
Other liabilities and accrued expenses	12	197,192,416	84,974,670
Due to affiliated company		127,498,200	-
Total current liabilities		2,035,718,846	972,938,736
Stockholders' equity			
Common stock of AMC	8	100,000	100,000
Merger equity	7	2,858,067,522	2,858,067,522
Translation reserve		20,421,459	-
Accumulated loss		(1,715,282,824)	(836,443,107)
		1,163,306,156	2,021,724,415
Total liabilities and stockholders' equity		3,199,025,002	2,994,663,151

The notes on pages 6 to 16 form an integral part of these financial statements

These financial statements were approved by the Board of Directors on August 9, 2006 and signed on its behalf by


 Director


 Director

Arosima Mining Company Limited
Statement of loss
For the year ended December 31, 2005
(With comparatives figures for 2004)
(Expressed in Guyana Dollars)

	Notes	<u>2005</u> \$	<u>2004</u> \$
Sales		9,482,612,840	7,320,828,756
Cost of sales	13	(5,341,928,934)	(8,192,014,183)
Gross profit		<u>4,140,683,906</u>	<u>(871,185,427)</u>
Selling, general and administrative expenses	14	(4,696,242,901)	-
Operating loss		(555,558,995)	(871,185,427)
Community service expense	15	(47,283,342)	(6,967,620)
Other income		39,562,600	41,709,939
Other expense	16	(282,464,504)	-
Interest expense		(33,095,476)	-
Net loss		<u>(878,839,717)</u>	<u>(836,443,107)</u>

The notes on pages 6 to 16 form an integral part of these financial statements

Arosalms Mining Company Limited
Statement of Changes in Shareholders' Equity
For the year ended December 31, 2005
(With comparatives figures for 2004)
(Expressed in Guyana Dollars)

	Common stock	Merger Equity	Accumulated Loss	Translation reserve	Total stockholders'
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)
Balances at December 31, 2004	100,000	2,858,067,522	(836,443,107)	-	2,021,724,415
Balances at January 1, 2005	100,000	2,858,067,522	(836,443,107)	-	2,021,724,415
Translation gains on opening net assets				20,421,459	20,421,459
Net loss for the year			(878,839,717)		(878,839,717)
Balances at December 31, 2005	100,000	2,858,067,522	(1,715,282,824)	20,421,459	1,163,306,157

The notes on pages 6 to 16 form an integral part of these financial statements

Aroaima Mining Company Limited
Statement of Cash Flows
For the year ended December 31, 2005
(Expressed in Guyana Dollars)

	<u>2005</u>	<u>2004</u>
	\$	\$
Cash flow from operating activities		
Net loss	(878,839,717)	(836,443,107)
Translation gain	20,421,459	-
Adjustments to reconcile net loss to net cash use in operating activities:		
Translation gain on non monetary assets	(12,496,343)	-
Depreciation of property, plant and equipment	294,096,682	46,211,332
Decrease (increase) in trade accounts receivable	31,644,648	(749,045,846)
Decrease in related party receivables	1,947,143	-
(Increase) decrease in other receivables	(48,013,460)	839,776,012
(Increase) decrease in inventories	(482,635,672)	467,837,992
Increase (decrease) in trade accounts payable	352,665,374	(19,632,586)
Increase in other liabilities	112,217,746	794,592
Increase in payables unconsolidated	-	73,679,169
Increase in due to associated companies	127,498,200	-
Net cash used in operating activities	<u>(481,493,939)</u>	<u>(176,822,443)</u>
Cash Flows from Investing Activities		
Acquisition of fixed assets	(89,469,775)	-
Acquisition of shares in joint venture company	(2,000,000)	-
Net cash flows from investing activities	<u>(91,469,775)</u>	<u>-</u>
Cash flows from financing activities		
Cash received from ABC and Bermine	-	194,818,368
Borrowings from bank	181,630,534	59,868,666
Advances from related party	323,999,980	-
Payment under capital lease obligation	(35,231,724)	(11,086,632)
Net cash flows from financing activities	<u>470,398,790</u>	<u>243,600,402</u>
Net increase (decrease) in cash and cash equivalents	(102,564,924)	66,777,959
Cash and cash equivalents at the beginning of the year	109,406,454	42,628,495
Cash and cash equivalents at the end of the year	<u>6,841,529</u>	<u>109,406,454</u>

The notes on pages 6 to 16 form an integral part of these financial statements

Aroaima Mining Company Limited
Notes to the financial statements
December 31, 2005
(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, 2005.

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 81% of the total sales of the company and respective trade accounts receivable represent 97% of the total balance of trade accounts receivable as at December 31, 2005.

After years of loss making due to declining production and sales, the Management of the Company was able to interest Russian Aluminium Company (RUSAL) to enter into a Joint Venture for the purposes of managing the Company and to acquire and exploit the Kurubuka deposit and other deposits in the Kwakwani area. On December 16th 2004, a Management Agreement was entered into by the parties but the actual management by Bauxite Company of Guyana Inc commenced on March 18th 2005.(see note 14.A.)

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. – purchase of spares and 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 labour 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, 2005
(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. Berbice Mining Enterprise, Ltd. was owned by the Government of Guyana and dissolved after this 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.

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 value 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 corporation 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, 2005
(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 to translate these statements from USD to GYD is G\$/US\$=200/1 (2004-198/1).

Aroaima Mining Company Limited
Notes to the financial statements
December 31, 2005
(Expressed in Guyana Dollars)

3. Cash

In the previous year 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. However during the year, this agreement was terminated and the payments from sales to Alcoa World Alumina was sent directly to the Company's bank account at National Bank of Industry and Commerce.

	<u>2005</u>	<u>2004</u>
	\$	\$
Balance as per accounts	6,841,529	62,418,210
Cash held by Southern Star	-	46,988,243
Balance	<u>6,841,529</u>	<u>109,406,454</u>

4. Trade accounts receivable

	<u>2005</u>	<u>2004</u>
	\$	\$
Alcoa World Alumina	692,888,000	736,378,796
Other customers	24,513,198	12,667,050
Total	<u>717,401,198</u>	<u>749,045,846</u>

Trade accounts receivable with the carrying amount of GY\$ 241,500,000 as at December 31, 2005 serve as collateral for the credit facility extended to the Company (see note 10).

5. Other receivables

As at December 31, 2005 other receivables comprised of advances paid to suppliers for spare parts and materials which were delivered subsequent to year end.

Aronima Mining Company Limited
Notes to the financial statements
December 31, 2005
(Expressed in Guyana Dollars)

6. Inventories

	<u>2005</u>	<u>2004</u>
	\$	\$
Bauxite inventories		
Finished goods	134,961,000	45,177,660
Crude ore	581,991,800	264,292,182
Total bauxite inventories	<u>716,952,800</u>	<u>309,469,842</u>
Supplies inventories		
Fuel	155,563,678	69,598,584
Mechanical spares and lubricants	1,051,394,358	944,191,116
Supplies inventories at cost	<u>1,206,958,036</u>	<u>1,013,789,700</u>
Reserve for obsolescence of supplies inventories	(613,368,034)	(457,616,412)
Total supplies inventories	<u>593,590,002</u>	<u>556,173,288</u>
Goods In Transit	37,736,000	-
Total inventories	<u>1,348,278,802</u>	<u>865,643,130</u>

7. Merger Equity

This represents the total assets and liabilities transferred from ABC to AMC as per agreement dated November 19, 2004

	<u>2005</u>	<u>2004</u>
	\$	\$
Total assets from ABC	3,665,377,984	3,665,377,984
Total Liabilities	(807,310,462)	(807,310,462)
Merger Equity	<u>2,858,067,522</u>	<u>2,858,067,522</u>

8. 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, 2005
(Expressed in Guyana Dollars)

(9) Property, plant and equipment

	Plant, machinery & equipment	Motor Vehicles	Furniture & fittings	Office equipment & computers	Buildings	Total
Cost/ valuation						
At January 1, 2005	925,275,141	46,052,663	22,694,688	5,183,905	284,142,930	1,283,349,326
Additions	9,665,808	5,300,000	875,709	1,969,858		17,811,375
Translation gain on re conversion	8,983,350	434,234	208,762	48,300	2,821,698	12,496,343
Capitalisation of spares	71,658,400					71,658,400
At December 31, 2005	1,015,582,699	51,786,897	23,779,159	7,202,062	286,964,628	1,385,315,445
Depreciation						
At January 1, 2005	35,923,475	3,063,516	2,027,254	402,254	4,794,832	46,211,332
Current year charges	231,101,235	19,008,429	12,350,843	2,576,585	29,059,591	294,096,682
At December 31, 2005	267,024,710	22,071,944	14,378,097	2,978,839	33,854,423	340,308,013
Net Book Value						
At December 31, 2005	748,557,989	29,714,952	9,401,062	4,223,224	253,110,205	1,045,007,432
At December 31, 2004	889,351,666	42,989,147	20,667,433	4,781,651	279,348,097	1,237,137,995

Property, plant and equipment which were acquired from ABC and Bermine 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. Additions other than merged assets are stated at costs.

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, 2005
(Expressed in Guyana Dollars)

10. 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. (see note 4). During 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>2005</u>	<u>2004</u>
	\$	\$
Principal	240,000,000	59,400,000
Interest accrued	1,499,200	468,666
Total	<u>241,499,200</u>	<u>59,868,666</u>

11. Trade accounts payables

	<u>2005</u>	<u>2004</u>
	\$	\$
Guyana Oil Company, Ltd.	282,789,998	267,223,374
Viceroy Shipping, Ltd.	167,503,000	222,740,496
J.P. Knight, Ltd.	126,873,756	122,839,200
Boskalis International B.V.	41,398,700	46,193,400
Machinery Corporation of Guyana, Ltd.	104,658,902	28,393,200
Texaco Eastern Caribbean, Ltd.	16,000,660	18,633,582
Sugrim Industries, Ltd.	178,348,182	11,008,800
Machinery Corporation of America, Ltd.	21,532,554	11,498,850
Other suppliers	206,423,298	64,332,774
Total	<u>1,145,529,050</u>	<u>792,863,676</u>

12. Other liabilities and accrued expenses

	<u>2005</u>	<u>2004</u>
	\$	\$
Accrued vacation liability	47,478,600	37,215,684
PAYE payable on behalf of employees	12,671,400	22,584,474
Amounts due to employees	13,112,400	17,523,198
National Insurance Scheme contribution payable	5,640,400	4,036,428
Safety incentive accrual	-	3,400,848
Termination accruals	100,826,200	-
Other items	17,463,416	214,038
Total	<u>197,192,416</u>	<u>84,974,670</u>

Aroaima Mining Company Limited
Notes to the financial statements
December 31, 2005
(Expressed in Guyana Dollars)

	<u>2005</u>	<u>2004</u>
	\$	\$
13. Cost of sales		
Transportation of bauxite by J.P. Knight, Ltd.	1,473,022,954	-
Staff costs	694,776,186	1,175,670,738
Supplies + fuel	2,855,529,893	-
Depreciation	225,051,273	46,211,332
Other costs	27,232,203	-
Insurance	14,504,497	-
Dredging	95,000,000	-
Rental of equipment (see note 13.A.)	361,168,728	6,970,132,113
Total production costs for the year	<u>5,746,285,734</u>	-
Increase of bauxite inventories	<u>(404,356,800)</u>	-
Cost of goods sold	<u>5,341,928,934</u>	<u>8,192,014,183</u>

13.A. Rental of equipment

During 2004 AMC's cost of sales included a charge from ABC, pursuant to a contract signed for equipment, asset rental and service agreement entered into by AMC and ABC in the amount of G\$6,970,132,113.

	\$	\$
14. Selling, general and administrative expenses		
Freight of bauxite to customers by Viceroy Shipping, Ltd.	2,949,171,198	-
Maintenance of loading basin provided by Boskalis International B.V.	561,180,048	-
Staff costs	619,442,991	-
Shipping and handling	77,266,649	-
Security	30,840,616	-
Supplies and spare parts + fuel	125,298,909	-
Depreciation	50,096,809	-
Telecommunication	35,367,978	-
Management fees (see note 14.A.)	52,000,000	-
Other costs	195,577,703	-
Total selling, general and administrative expenses	<u>4,696,242,901</u>	-

Aroaima Mining Company Limited
Notes to the financial statements
December 31, 2005
(Expressed in Guyana Dollars)

14.A. Management fees

The company entered into a management agreement during December 2004 with Bauxite Company of Guyana Inc.(BCGI). Under the management agreement the company commits to pay a management fee based on the higher of (a) 70% of the before-tax profit calculated as EBTDA for such fiscal year from all operations, administration, marketing and production and (b) US\$1 per each metric ton of product extracted in operations during such fiscal year, to the extent such extractions exceed 1.3 million metric tonnes of product during such fiscal year.

EBTDA is defined in the management contract as earnings before tax, depreciation and amortization calculated in accordance with International Accounting Standards (IAS).

Metric ton of product extracted is not specifically defined in the management contract the calculation of management fees is based on metric tonnes (not dried metric tonnes)

EBTDA

Earnings before tax	(878,839,717)
Add:	
management fees included in earnings before tax	52,000,000
Depreciation and amortisation	294,096,682
	<u>(584,743,035)</u>

Production (tonnes)	1,560,000
floor	1,300,000
Excess	<u>260,000</u>
Management fees US\$ (260,000*US\$1)	<u>260,000</u>
Management fees G\$	<u>52,000,000</u>

15. 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 company for costs of the services provided. In 2005 the Companies received GY\$ 232,356,400 as a reimbursement.

	<u>2005</u>	<u>2004</u>
	\$	\$
Fuel & material	99,665,142	120,170,556
Staff costs	133,435,400	48,189,042
Depreciation	18,948,600	
Other costs	27,590,600	9,583,200
Total community service expense	<u>279,639,742</u>	<u>177,942,798</u>
Total reimbursements for the period	<u>(232,356,400)</u>	<u>(170,975,178)</u>
Net position at the end of the period	<u>(47,283,342)</u>	<u>(6,967,620)</u>

Aroaima Mining Company Limited
Notes to the financial statements
December 31, 2005
(Expressed in Guyana Dollars)

16. Other expense

Other expenses are made up as follows

	<u>2005</u>	<u>2004</u>
Obligated termination benefits	100,826,200	-
Spare parts adjustment	151,129,200	-
Repairs to BCGI damaged truck	28,474,000	-
Others	2,035,104	-
	<u>282,464,504</u>	<u>-</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 Company 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 Company involve mining of bauxite that causes negative effect on the environment. The Company 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 claims and other 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 Company financial position, results of operations, or liquidity.

18. Privatisation

Subsequent to the year end, the company through a privatisation arrangement discontinued it's operations. Under the arrangement certain assets were transferred to a joint venture company in exchange for ten percent of the shares in that company.