

**AROAIMA MINING COMPANY LIMITED**

**AUDITED FINANCIAL STATEMENTS  
FOR THE YEARS 2002 TO MARCH 2006**



**MARCH 2006**



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

**FOR THE PERIOD ENDED  
31 MARCH 2006**

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





## *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: 90/2006

25 August 2006

**REPORT OF THE AUDITOR GENERAL  
TO THE BOARD OF DIRECTORS  
ARAIMA MINING COMPANY LIMITED  
ON THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2006**

Chartered Accountants, Nizam Ali & Company, have audited on my behalf the financial statements of Aroaima Mining Company Limited for the period ended 31 March 2006, 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 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.



AUDIT OFFICE  
63 HIGH STREET  
KINGSTON  
GEORGETOWN  
GUYANA





*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>*

156/AG:63/2006/23

25 August 2005

Mr. Winston Brassington  
Director  
Aroaima Mining Company Limited  
Parade & Barrack Streets  
Kingston, Georgetown.

Dear Mr. Brassington,

AUDIT OF THE FINANCIAL STATEMENTS OF  
THE AROAIMA MINING COMPANY LIMITED  
FOR THE PERIOD ENDED 31 MARCH 2006

We are pleased to inform you that the audit of the financial statements of the Aroaima Mining Company Limited, for the period ended 31 March 2006, has been completed. Accordingly we are pleased to forward four (4) copies of the signed financial statements, together with the report of the Auditor General and Chartered Accountants thereon.

Should you need any further clarification and explanations, please do not hesitate to contact us.

With kind regards.

Yours sincerely,

  
D. SHARMA  
AUDITOR GENERAL (ag.)





# 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 PERIOD ENDED MARCH 31, 2006**

We have audited the attached financial statements of Aroaima Mining Company Limited for the Period ended March 31, 2006 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 three paragraphs, we conducted our audit in accordance 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 \$1,117,341,930 and supplies cost amounting to \$772,863,625 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 \$1,079,129,678.

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 March 31, 2006, and of the results of its operations and its cash flows for the period 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

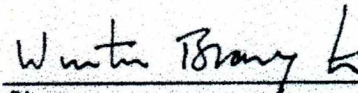


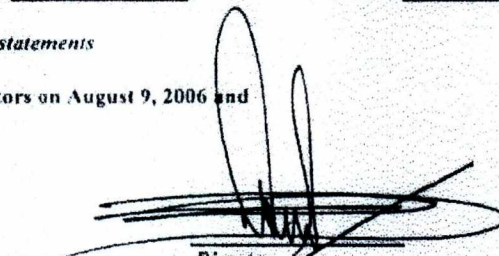
**Aroaima Mining Company Limited**  
**Balance Sheet**  
**As at March 31, 2006**  
**(With comparative figures for 2005)**  
**(Expressed in Guyana dollars)**

	Notes	2006 \$	2005 \$
<b>Current assets</b>			
Cash	3	253,064,253	6,841,529
Trade accounts receivable	4	1,082,381,218	717,401,198
Other receivables		-	78,738,703
Due from affiliated company	5	11,475,402	757,221
Inventories	6	1,048,295,176	1,348,278,802
<b>Total current assets</b>		<b>2,395,216,049</b>	<b>2,152,017,453</b>
Property, plant and equipment	9	988,996,387	1,045,007,550
Investments		2,000,000	2,000,000
<b>Total Assets</b>		<b>3,386,212,436</b>	<b>3,199,025,002</b>
<b>Liabilities and Stockholders' Equity</b>			
<b>Current liabilities</b>			
Borrowing from banks	10	244,971,018	241,499,200
Advances from related parties		549,864,436	323,999,980
Trade accounts payable	11	1,079,129,678	1,145,529,050
Other liabilities and accrued expenses	12	54,111,456	197,192,416
Due to related parties		316,054,298	127,498,200
<b>Total current liabilities</b>		<b>2,244,130,886</b>	<b>2,035,718,846</b>
<b>Stockholders' equity</b>			
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	20,421,459
Accumulated loss		(1,736,507,430)	(1,715,282,824)
		<b>1,142,081,551</b>	<b>1,163,306,157</b>
<b>Total liabilities and stockholders' equity</b>		<b>3,386,212,436</b>	<b>3,199,025,002</b>

*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 August 9, 2006 and signed on its behalf by

  
 Director

  
 Director



**Aroaima Mining Company Limited**  
**Statement of Income**  
**For the period January 1, 2006 to March 31, 2006**  
**(with figures for 2005)**  
**(Expressed in Guyana Dollars)**

	Notes	<u>2006</u> \$	<u>2005</u> \$
Sales		3,176,004,527	9,482,612,840
Cost of Sales	13	(1,586,860,028)	(5,341,928,934)
Gross profit		<u>1,589,144,499</u>	<u>4,140,683,906</u>
Selling, general and administrative expenses	14	(1,612,267,546)	(4,696,242,901)
Operating loss		(23,123,047)	(555,558,995)
Community service expense	15	(5,652,215)	(47,283,342)
Other income	16	14,573,200	39,562,600
Other expense	16	-	(282,464,504)
Interest expense	16	(7,022,544)	(33,095,476)
Net loss		<u>(21,224,606)</u>	<u>(878,839,717)</u>

*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 period ended March 31, 2006**  
**(With Figures for 2005)**  
**(Expressed in Guyana Dollars)**

	Common stock	Merger Equity	Accumulated Loss	Translation reserve	Total stockholders' Equity
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)
<b>Balances at December 31, 2005</b>	<b>100,000</b>	<b>2,858,067,522</b>	<b>(1,715,282,824)</b>	<b>20,421,459</b>	<b>1,163,306,157</b>
Balances at January 1, 2006	100,000	2,858,067,522	(1,715,282,824)	20,421,459	1,163,306,157
Net income for the period			(21,224,606)		(21,224,606)
<b>Balances at March 31, 2006</b>	<b>100,000</b>	<b>2,858,067,522</b>	<b>(1,736,507,430)</b>	<b>20,421,459</b>	<b>1,142,081,551</b>

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



**Arosima Mining Company Limited**  
**Statement of Cash Flows**  
**For the period ended March 31, 2006**  
**(With comparatives for 2005)**  
**(Expressed in Guyana Dollars)**

	<u>2006</u>	<u>2005</u>
	\$	\$
<b>Cash flow from operating activities</b>		
Net loss	(21,224,606)	(878,839,717)
Translation gain	-	20,421,459
<b>Adjustments to reconcile net loss to net cash use in operating activities:</b>		
Translation gain on non monetary assets	-	(12,496,343)
Depreciation of property, plant and equipment	80,914,809	294,096,682
(Increase) decrease in trade accounts receivable	(364,980,020)	31,644,648
(Increase) decrease in due from affiliated company	(10,718,183)	1,947,143
Decrease (increase) in other receivables	78,738,703	(48,013,460)
Decrease (increase) in inventories	299,983,626	(482,635,672)
(Decrease) increase in trade accounts payable	(66,399,372)	352,665,374
(Decrease) increase in other liabilities	(143,080,960)	112,217,746
Increase in due to related parties	188,556,098	-
Increase in due to associated companies	-	127,498,200
<b>Net cash used in operating activities</b>	<u>41,790,095</u>	<u>(481,493,939)</u>
<b>Cash Flows from Investing Activities</b>		
Acquisition of fixed assets	(24,903,645)	(89,469,775)
Acquisition of shares in associated company	-	(2,000,000)
<b>Net cash flows from Investing activities</b>	<u>(24,903,645)</u>	<u>(91,469,775)</u>
<b>Cash flows from financing activities</b>		
Borrowings from bank	3,471,818	181,630,534
Advances from related party	225,864,456	323,999,980
Payment under capital lease obligation	-	(35,231,724)
<b>Net cash flows from financing activities</b>	<u>229,336,274</u>	<u>470,398,790</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	246,222,724	(102,564,924)
Cash and cash equivalents at the beginning of the year	6,841,529	109,406,454
<b>Cash and cash equivalents at the end of the year</b>	<u>253,064,253</u>	<u>6,841,529</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**  
**For the period ended March 31, 2006**  
**(Expressed in Guyana Dollars)**

---

**1. 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 Company had a common shareholder as at March 31, 2006.

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 94% of the total sales of the Company and respective trade accounts receivable represent 96% of the total balance of trade accounts receivable as at March 31, 2006.

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. (the Joint venture company) commenced on March 18th 2005 (see note 14 A.) On March 31, 2006 certain assets, including the mining rights to deposits in the Kwakwani area were privatised to Bauxite Company of Guyana Inc. and the Everton plant discontinued production.

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

- Oldendorff Carriers GmbH. – 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 Guyana, 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 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. At March 31, 2006, pursuant to the Privatisation of certain assets to Bauxite Company of Guyana Inc, all employees, including non-union employees, were severed and paid termination benefits in accordance with the Severance Pay and Termination Act. In addition the Directors agreed to consider paying additional benefits to employees based on representations made by the Union.



**Aroaima Mining Company Limited**  
**Notes to the financial statements**  
**For the period ended March 31, 2006**  
**(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 Berbice Mining Enterprise, Ltd. 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, Berbice Mining Enterprise, Ltd. 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 Berbice Mining Enterprise, Ltd. 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 Company considers the likelihood of future cash outflow in relation to the mining lease held by Berbice Mining Enterprise, Ltd. 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 Berbice Mining Enterprise, Ltd. 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.



**Aronima Mining Company Limited**  
**Notes to the financial statements**  
**For the period ended March 31, 2006**  
**(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 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.



**Alumina Mining Company Limited**  
**Notes to the financial statements**  
**For the period ended March 31, 2006**  
**(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 (2005 200/1).

**3. Cash**

All funds are held in accounts at National Bank of Industry and Commerce.

	<u>2006</u> S	<u>2005</u> S
Balance as per accounts	253,064,253	6,841,529
<b>Balance</b>	<u>253,064,253</u>	<u>6,841,529</u>

**4. Trade accounts receivable**

	<u>2006</u> S	<u>2005</u> S
Alcoa World Alumina	1,036,135,398	692,888,000
Other customers	46,245,820	24,513,198
<b>Total</b>	<u>1,082,381,218</u>	<u>717,401,198</u>

Trade accounts receivable with the carrying amount of GY\$ 250,000,000 as at March 31, 2006 serve as collateral for the credit facility extended to the Company (see note 10).

**5. Due from affiliated company**

During the period some services and supplies were paid by the company on behalf of Bauxite Company of Guyana Inc (BCGI). The Company owns 10% of the issued share capital of BCGI.



**Aroaima Mining Company Limited**  
**Notes to the financial statements**  
**March 31, 2006**  
**(Expressed in Guyana Dollars)**

**6. Inventories**

	<u>2006</u>	<u>2005</u>
	\$	\$
<b>Bauxite inventories</b>		
Finished goods	1,853,600	134,961,000
Crude ore	474,323,600	581,991,800
<b>Total bauxite inventories</b>	<u>476,177,200</u>	<u>716,952,800</u>
<b>Supplies inventories</b>		
Fuel	65,571,164	155,563,678
Mechanical spares and lubricants	1,051,770,766	1,051,394,358
<b>Supplies inventories at cost</b>	<u>1,117,341,930</u>	<u>1,206,958,036</u>
Reserve for obsolescence of supplies inventories	(611,268,754)	(613,368,034)
<b>Total supplies inventories</b>	<u>506,073,176</u>	<u>593,590,002</u>
Goods In Transit	66,044,800	37,736,000
<b>Total inventories</b>	<u>1,048,295,176</u>	<u>1,348,278,802</u>

**7. Merger Equity**

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

	<u>2006</u>	<u>2005</u>
	\$	\$
Total assets from ABC	3,665,377,984	3,665,377,984
Total Liabilities	(807,310,462)	(807,310,462)
<b>Merger Equity</b>	<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.



Arosaima Mining Company Limited  
 Notes to the financial statements  
 March 31, 2006  
 (Expressed in Guyana Dollars)

(9) Property, plant and equipment

	Plant, machinery & equipment	Motor Vehicles	Furniture & fittings	Office equipment & computers	Buildings	Total
At January 1, 2006	1,015,582,845	51,786,897	23,779,159	7,202,062	286,964,628	1,385,315,590
Additions	1,464,000	-	-	-	-	1,464,000
Capitalisation of spares	23,439,645	-	-	-	-	23,439,645
<b>At December 31, 2006</b>	<b>1,040,486,490</b>	<b>51,786,897</b>	<b>23,779,159</b>	<b>7,202,062</b>	<b>286,964,628</b>	<b>1,410,219,235</b>
At January 1, 2006	267,024,737	22,071,944	14,378,097	2,978,839	33,854,423	340,308,040
Current year charges	64,818,050	4,972,940	3,126,329	732,592	7,264,898	80,914,809
<b>At December 31, 2006</b>	<b>331,842,787</b>	<b>27,044,884</b>	<b>17,504,426</b>	<b>3,711,431</b>	<b>41,119,321</b>	<b>421,222,849</b>
Net Book Value	708,643,703	24,742,013	6,274,733	3,490,631	245,845,307	988,996,387
At December 31, 2006	748,558,108	29,714,953	9,401,062	4,223,223	253,110,205	1,045,007,550
At December 31, 2005						

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**  
**March 31, 2006**  
**(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) 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>2006</u>	<u>2005</u>
	\$	\$
Principal	240,000,000	240,000,000
Interest accrued	4,971,018	1,499,200
<b>Total</b>	<u>244,971,018</u>	<u>241,499,200</u>

**11. Trade accounts payables**

	<u>2006</u>	<u>2005</u>
	\$	\$
Guyana Oil Company, Ltd.	201,943,000	(283,032,398)
Viceroy Shipping, Ltd.	49,353,548	(167,503,000)
J.P. Knight, Ltd.	124,717,256	(126,873,756)
Boskalis International B.V.	33,380,000	(41,398,700)
Machinery Corporation of Guyana, Ltd.	112,713,254	(104,658,902)
Texaco Eastern Caribbean, Ltd.	898,008	(16,000,660)
Mercury Shipping & Trading Ltd.	164,404,000	
Oldendorff Carriers	83,121,444	
Sugrim Industries, Ltd.	44,044,462	(178,348,182)
Machinery Corporation of America, Ltd.	21,410,366	(21,532,554)
Other suppliers	243,144,340	(206,180,898)
<b>Total</b>	<u>1,079,129,678</u>	<u>(1,145,529,050)</u>

	<u>2006</u>	<u>2005</u>
	\$	\$
<b>12. Other liabilities and accrued expenses</b>		
Accrued vacation liability	-	47,478,600
PAYE payable on behalf of employees	18,487,496	12,671,400
Amounts due to employees	23,176,400	13,112,400
National Insurance Scheme contributions payable	6,299,614	5,640,400
Termination accrual	-	100,826,200
Other items	6,147,946	17,463,416
<b>Total</b>	<u>54,111,456</u>	<u>197,192,416</u>



**Aroaima Mining Company Limited**  
**Notes to the financial statements**  
**March 31, 2006**  
**(Expressed in Guyana Dollars)**

	<u>2006</u>	<u>2005</u>
	\$	\$
<b>13. Cost of Goods Sold</b>		
Transportation of bauxite by J.P. Knight, Ltd.	374,563,600	1,473,022,954
Staff costs	173,840,282	694,776,186
Supplies and fuel	684,431,737	2,855,529,893
Depreciation	63,206,691	225,051,273
Other costs	7,383,844	27,232,203
Insurance	302,234	14,504,497
Dredging	-	95,000,000
Rent of equipment	42,356,312	361,168,728
<b>Total production costs for the year</b>	<u>1,346,084,701</u>	<u>5,746,285,734</u>
Increase of bauxite inventories	240,775,327	(404,356,800)
<b>Cost of goods sold</b>	<u>1,586,860,028</u>	<u>5,341,928,934</u>

**14. Selling, general and administrative expenses**

	<u>2006</u>	<u>2005</u>
	\$	\$
Freight of bauxite to customers by Viceroy Shipping, Ltd.	1,091,275,374	2,949,171,198
Maintenance of loading basin provided by Boskalis International B.V.	100,040,000	561,180,048
Staff costs	144,943,778	619,442,991
Shipping and handling	8,227,161	77,266,649
Security	8,126,532	30,840,616
Supplies and spare parts and fuel	63,062,277	125,298,909
Depreciation	12,975,440	50,096,809
Telecommunication	2,587,136	35,367,978
Management fees (see note 14.A.)	153,318,200	52,000,000
Other costs	27,711,648	195,577,703
<b>Total selling, general and administrative expenses</b>	<u>1,612,267,546</u>	<u>4,696,242,901</u>



**Aroaima Mining Company Limited**  
**Notes to the financial statements**  
**0-Jan-00**  
**(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).

	<u>2006</u>	<u>2005</u>
	\$	\$
<b>EBTDA</b>		
Earnings before tax	(21,224,606)	(878,839,717)
Add: management fees included in earnings before tax	153,318,200	52,000,000
depreciation and amortisation included in COGS	80,914,809	294,096,682
depreciation and amortisation included in increase in inventory	6,017,598	-
	<u>219,026,001</u>	<u>(532,743,035)</u>
<b>Management fees @ 70% Based on EBTDA</b>	<b>153,318,201</b>	<b>-</b>
<b>Management fees based on production</b>		
	<b>Tonnes</b>	<b>Tonnes</b>
Production	262,156	1,560,000
floor	1,300,000	1,300,000
	<u>(1,037,844)</u>	<u>260,000</u>
<b>Management fees US\$</b>		<u>260,000</u>
<b>Management fees G\$</b>		<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 Company received GYS 81,917,766 as a reimbursement.

	<u>2006</u>	<u>2005</u>
	\$	\$
Fuel and materials	25,369,610	99,665,142
Staff costs	42,239,428	133,435,400
Depreciation	4,732,678	18,948,600
Other costs	15,228,266	27,590,600
<b>Total community service expense</b>	<u>87,569,981</u>	<u>279,639,742</u>
<b>Total reimbursements for the period</b>	<u>(81,917,766)</u>	<u>(232,356,458)</u>
<b>Net position at the end of the period</b>	<u>(5,652,215)</u>	<u>(47,283,284)</u>



**Aroaima Mining Company Limited**  
**Notes to the financial statements**  
**March 31, 2006**  
**(Expressed in Guyana Dollars)**

<b>16. Other Income/(expenses)</b>	<u>2006</u>	<u>2005</u>
	\$	\$
Foreign exchange gains	4,752,500	28,457,600
Other income	9,820,700	11,105,000
	<u>14,573,200</u>	<u>39,562,600</u>
Sundry income/expenses	-	(282,464,504)
Interest expense	(7,022,544)	(33,063,200)
<b>Other income and expenses, net</b>	<u><b>7,550,656</b></u>	<u><b>(275,965,104)</b></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.

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 combined financial position, results of operations, or liquidity.

*Termination benefits*

The company accounted for its legal obligation under the Termination and Severance Pay Act. There was no constructive obligation regarding additional severance pay at balance sheet date since the Board of Directors did not approve any further payment. During June 2006, an additional severance of \$100,000,000 was paid to employees. This amount was not accounted for as an expense or a liability in these financial statements.

**18. Privatisation**

Subsequent to the balance sheet date, the company through a privatisation arrangement discontinued its operations. Under the arrangement certain assets were transferred to a joint venture company in exchange for ten percent of the shares in that company.