

FINANCIAL STATEMENTS

AFRICAN AURA RESOURCES LIMITED, BVI

Consolidated Income Statement

For the		Period ended June 30 2007	Year ended December 31 2006	Year ended December 31 2005	Year ended December 31 2004
<i>(Stated in US dollars)</i>					
	Notes	\$'000	\$'000	\$'000	\$'000
General and administration expenses					
Administrative and office expenses		32	57	16	5
Travel and subsistence		23	15	4	5
Depreciation		25	8	-	-
Wages and salaries		30	-	-	-
Director fees and salaries		166	168	80	11
Foreign exchange (gain) loss		36	7	-	-
Share based payments		709	-	363	10
Operating loss	4	(1,021)	(255)	(463)	(31)
Interest income		33	39	4	-
LOSS		(988)	(216)	(459)	(31)
Basic and diluted loss per share	7	(3.21)c	(1.10)c	(3.95)c	(62.00)c

AFRICAN AURA RESOURCES LIMITED, BVI

Consolidated Balance Sheet

As at

(Stated in US dollars)

	Notes	June 30 2007 \$'000	December 31 2006 \$'000	December 31 2005 \$'000	December 31 2004 \$'000
FIXED ASSETS					
Intangible assets	5	3,159	1,974	462	93
Property, plant and equipment	6	125	44	-	-
		3,284	2,018	462	93
CURRENT ASSETS					
Other Debtors	10	284	184	113	2
Cash and bank		7,546	2,127	891	4
		7,830	2,311	1,004	6
TOTAL ASSETS		11,114	4,329	1,466	99
EQUITY AND LIABILITIES					
CAPITAL & RESERVES					
Called-up share capital	12	592	590	395	50
Share warrants	13	7,019	-	-	-
Share premium account	14	3,697	3,739	1,242	-
Share-based payments		1,059	350	373	10
Foreign currency translation reserve		378	237	(66)	(7)
Profit and loss account - deficit		(1,694)	(706)	(490)	(31)
TOTAL EQUITY		11,051	4,210	1,454	22
CURRENT LIABILITIES					
Other creditors	11	63	119	12	77
TOTAL LIABILITIES		63	119	12	77
TOTAL EQUITY AND LIABILITIES		11,114	4,329	1,466	99

AFRICAN AURA RESOURCES LIMITED, BVI
Consolidated Statement of Changes in Equity

	Share capital \$'000	Share warrants \$'000	Share premium \$'000	Share based payments \$'000	Foreign currency translation reserve \$'000	Retained earnings (deficit) \$'000	Total \$'000
Balance as at January 1 2004							
Proceeds on share issue	50	-	-	-	-	-	50
Share based payments	-	-	-	10	-	-	10
Foreign currency translation	-	-	-	-	(7)	-	(7)
Loss for the period	-	-	-	-	-	(31)	(31)
Balance as at December 31 2004	50	-	-	10	(7)	(31)	22
At January 1 2005	50	-	-	10	(7)	(31)	22
Share Issue	345	-	1,242	-	-	-	1,587
Recognition of Share Based Payments	-	-	-	363	-	-	363
Foreign currency translation	-	-	-	-	(59)	-	(59)
Loss for the period	-	-	-	-	-	(459)	(459)
At December 31 2005	395	-	1,242	373	(66)	(490)	1,454
At January 1 2006	395	-	1,242	373	(66)	(490)	1,454
Issue of shares under share option plan	13	-	34	-	-	-	47
Share Issue	184	-	2,478	-	-	-	2,662
Buy-back of ordinary shares	(2)	-	(14)	-	-	-	(16)
Expenses	-	-	(24)	-	-	-	(24)
Recognition of Share Based Payments	-	-	23	(23)	-	-	-
Foreign currency translation	-	-	-	-	303	-	303
Loss for the period	-	-	-	-	-	(216)	(216)
At December 31 2006	590	-	3,739	350	237	(706)	4,210
At January 1 2007	590	-	3,739	350	237	(706)	4,210
Share Issue	11	7,019	166	-	-	-	7,196
Buy-back of ordinary shares	(9)	-	(76)	-	-	-	(85)
Expenses	-	-	(132)	-	-	-	(132)
Recognition of Share Based Payments	-	-	-	709	-	-	709
Foreign currency translation	-	-	-	-	141	-	141
Loss for the period	-	-	-	-	-	(988)	(988)
At June 30 2007	592	7,019	3,697	1,059	378	(1,694)	11,051

AFRICAN AURA RESOURCES LIMITED, BVI

Consolidated Cash Flow Statement

For the

	Period ended June 30 2007 \$'000	Year ended December 31 2006 \$'000	Year ended December 31 2005 \$'000	Year ended December 31 2004 \$'000
<i>(Stated in US dollars)</i>				
Net Cash Outflow from operating activities	(1,021)	(255)	(463)	(31)
Items not involving cash				
Share based payments	709	-	363	10
Currency translation adjustment	141	303	(59)	(7)
Depreciation	25	8	-	-
Increase / (Decrease) in non-cash working capital items				
Receivables	(100)	(71)	(111)	(2)
Payables	(56)	108	(66)	77
Net cash flow from operating activities	(302)	93	(336)	47
Investing Activities				
Interest Income	33	39	4	-
Intangible assets	(1,185)	(1,512)	(369)	(93)
Property, plant and equipment	(106)	(52)	-	-
Net Cash Outflow from capital investment and financial investment	(1,258)	(1,525)	(365)	(93)
Net Cash Outflow before use of liquid resources and financing	(1,560)	(1,432)	(701)	(46)
Financing				
Share issue	7,196	2,709	1,587	50
Buy-back of ordinary shares	(85)	(16)	-	-
Expenses	(132)	(24)	-	-
Net Cash Flow from financing	6,979	2,669	1,587	50
Net Increase in cash and cash equivalents	5,419	1,237	886	4
Cash or cash equivalents at the beginning of the period	2,127	890	4	-
Cash or cash equivalents at the end of the period	7,546	2,127	890	4
Net Increase in cash and cash equivalents	5,419	1,237	886	4

AFRICAN AURA RESOURCES LIMITED, BVI
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended June 30 2007, December 31 2006, December 31 2005 and December 31 2004

(Stated in US dollars)

1. NATURE OF OPERATIONS

The Company, which commenced operations on February 4, 2004, is engaged in the acquisition, exploration and development of gold, uranium, iron ore and diamond properties in Africa. The Company is in the exploration stage and has no source of cash flows other than loans and equity offerings.

These consolidated financial statements are prepared on a going concern basis which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business. The Company's ability to continue on a going concern basis depends on its ability to successfully raise additional financing. If the Company cannot obtain additional financing the Company may be forced to realize its assets at amounts significantly lower than the current carrying value.

Uncertainty also exists with respect to the recoverability of the carrying value of certain resource properties. The ability of the Company to realize on its investment in resource properties is contingent upon resolution of the uncertainties and continuing confirmation of the Company's title to the resource properties.

2 BASIS OF PRESENTATION

2.1 The Company changed its year end to June 30 from December 31 in 2007. Therefore the financial statements are as at and for the six months ended June 30, 2007, and the years ended December 31, 2006, December 31, 2005 and December 31, 2004.

2.2 The consolidated financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB.

2.3 Functional Currency

The United States Dollar has been identified as the Company's currency of measurement and is used for external reporting purposes.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Consolidation

The financial statements of entities which are controlled by the Company through voting equity interests, referred to as subsidiaries, are consolidated.

The Group financial statements consolidate the financial statements of the company and of all subsidiary undertakings ("the Group").

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

3.2 Intangible Assets and Impairment

The Company follows the method of accounting for its mineral properties whereby all costs related to acquisition, exploration and development are capitalized until the results of the projects, which are based on geographical areas (“properties” or “licences”) are known. The carrying value of pre-production and exploration properties is reviewed periodically and either written off when it is determined that the expenditures will not result in the discovery of economically recoverable mineral reserves or transferred to producing mining property, plant and equipment when commercial development commences.

The recoverability of deferred exploration and evaluation costs is dependant upon a number of factors common to the natural resource sector. These include but are not limited to the extent to which the Company can establish economically recoverable reserve on the properties, the ability of the Company to obtain necessary financing to complete the development of such reserves, future profitable production from operations and the ability to sell production at a profit.

3.3 Property, plant and equipment

Expenditure on additions and improvements is capitalised as incurred. Fixed assets are included at historical cost.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Plant and machinery	25% straight line basis
Computer equipment	25% straight line basis
Motor vehicles	25% straight line basis.

3.4 Measurement Uncertainty

The preparation of financial statements 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 revenues and expenses during the reporting period. Significant balances and transactions affected by management estimates include the valuation of investments, resource properties, deferred exploration costs, future income tax and stock-based compensation. Actual results could differ from those estimates.

The amounts used to estimate fair values of stock options issued are based on estimates of future volatility of the Company’s share price, expected lives of the options, expected dividends to be paid by the Company and other relevant assumptions.

By their nature, these estimates are subject to measurement uncertainty and the effect of changes in such estimates on the consolidated financial statements of future periods could be significant.

3.5 Foreign currency transactions

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in United

States Dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

Transactions in foreign currencies are recorded at the rate of exchange ruling on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Gains and losses arising on translation are credited or charged against income.

The results of operations not reporting in United States Dollars are translated at the average rate of exchange during the period as this is considered to be a reasonable approximation of the actual rates during the year and the operations balance sheets are translated at exchange rates ruling at the balance sheet date. Exchange differences which arise from the translation of the results and balance sheets of foreign subsidiary operations are taken to reserves.

3.6 Share based payments

The Company has adopted IFRS 2 “Share Based Payments” to account for share options granted. For such grants of share options, the fair value as at the date of grant is calculated using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted.

The Company has used historical data to determine volatility in accordance with Black-Scholes modelling, however, the future volatility is inherently uncertain and the model has its limitations. While these estimates can have a material impact on share based compensation and hence results of operations, there is no impact on the Company’s financial condition.

The factors affecting share based payments include estimates of when stock options might be exercised and the stock price volatility. The timing for exercise is out of the Company’s control and will depend, among other things, upon a variety of factors including the market value of the Company shares and financial objectives of the holders of the options.

3.7 Taxation

Under the present laws of the British Virgin Islands, there are no applicable taxes on the profits or income of the Company. Deferred taxation, is recognised in respect of any timing differences that have originated but not reversed at the balance sheet date in the various subsidiary companies. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognised.

4 SEGMENT ANALYSIS

The Company has not commenced production and therefore recorded no turnover.

The analysis of the operating loss before taxation and of the net assets employed (total assets less total liabilities employed) by geographic segment of operation is shown below:

	Operating Loss				Net assets employed			
	June 30	December 31	December 31	December 31	June 30	December 31	December 31	December 31
	2007	2006	2005	2004	2007	2006	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Liberia					1,948	1,241	470	99
Cameroon					1,500	932	-	-
Corporate	(1,021)	(255)	(463)	(31)	7,603	2,037	984	(77)
	(1,021)	(255)	(463)	(31)	11,051	4,210	1,454	22

5 INTANGIBLE ASSETS

	June 30	December 31	December 31	December 31
	2007	2006	2005	2004
	\$'000	\$'000	\$'000	\$'000
Resource properties and deferred exploration costs				
Opening		1,974	462	93
Additions		1,185	1,512	369
Closing		3,159	1,974	462

The realisation of these intangible assets is dependent on the development of economic ore reserves and is subject to a number of significant potential risks including:

- Price fluctuations
- Uncertainties over development and operational costs
- Political and legal risks, including arrangements with governments for licences, profit sharing and taxation
- Funding requirements.

	Period ended	Year ended	Year ended	Year ended
	June 30	December 31	December 31	December 31
	2007	2006	2005	2004
	\$'000	\$'000	\$'000	\$'000
Acquisition and deferred exploration costs, by project				
Liberia				
North Bea	1,132	746	285	52
East Kpo	783	497	177	41
Cameroon				
Batouri	892	531	-	-
Tchollire II	74	42	-	-
Rey Bouba	64	41	-	-
Djoum III	83	37	-	-
Ntem	65	40	-	-
Akonolinga	66	40	-	-
	3,159	1,974	462	93

Resource properties and deferred exploration costs

Liberia, West Africa

The Company holds two licences or Mineral Exploration Agreements ("MEAs") in northwestern Liberia for gold and associated minerals, namely North Bea and East Kpo. Both licences were originally 400km² in size and were valid for an initial term of three years to January 31 2008. At that time, both licences were subject to automatic renewal for a further two years and a concomitant reduction in area by 50% to 200km² under the terms of the MEA.

Both these MEAs were approved on February 27, 2004 and became operational on February 1, 2005. The MEAs will allow the Company to work up to the feasibility stage at which time a Mineral Development Agreement ("MDA") can be automatically applied for which permits commercial mining.

The Company formed a Heads of Agreement (the "Stellar Agreement") for a joint venture with Stellar Diamond Ltd ("Stellar") a subsidiary of Mano River Resources Inc. on March 23, 2005. The Stellar Agreement provides Stellar with the opportunity to earn up to a 78% interest (Government of Liberia FCI 10%, the Company 12%) in the diamond exploration rights on the North Bea licence over a four year period, through completing a four phase exploration program culminating in the completion of a feasibility study over one or more diamond bearing kimberlites. The Company has agreed to extend the period of the second phase program pending Stellar becoming a public company. African Aura has the option to grant Stellar the right to sole fund mine construction in return for a 2.0% gross production royalty and relinquishment of its 12% interest.

Cameroon, West Africa

The Company holds six mineral exploration licences across Cameroon for gold, related minerals, uranium and diamonds. These comprise the

- "Batouri" (1,000km²) licence first granted on April 6, 2006 and modified (enlarged) on April 3, 2007;
- "Djoum III" (998km²) and "Akonolinga" (996km²) licences granted on August 1, 2006;
- "Rey Bouba" (992km²) licence granted on May 29, 2007;
- "Tchollire II" (992km²) licence granted on April 24, 2007; and
- "Ntem" (987km²) licence granted on June 1, 2007.

These licences are valid for an initial term of three years whereupon a reduction in area of 50% is required. The licence period is then extendable for a further four periods of two years each with a concomitant 50% reduction in area required at each extension. The permits allow the Company to work up to the feasibility stage at which time a mining licence can be automatically applied for which permits commercial mining

The Company, through its 70% owned Seychelles registered subsidiary, Ridgeway Energy Limited ("Ridgeway"), is undertaking uranium exploration with a focus currently on Cameroon. Ridgeway holds two exploration permits in Cameroon for uranium, gold, diamonds, related minerals and iron ore. They comprise the "Essong" (991km²) licence granted on June 1 2007 and "Bantadje" (482km²) licence granted on September 6, 2007.

6 PROPERTY, PLANT AND EQUIPMENT

	Plant and Equipment	Motor Vehicles	Total
	\$'000	\$'000	\$'000
Cost or valuation			
At January 1 2006	-	-	-
Additions / (disposals) during period	8	44	52
At December 31 2006	8	44	52
Accumulated Depreciation			
At January 1 2006	-	-	-
Charged during period	1	7	8
At December 31 2006	1	7	8
Net book Value			
At December 31 2006	7	37	44

	Plant and Equipment	Motor Vehicles	Total
Cost or valuation			
At January 1 2007	8	44	52
Additions / (disposals) during period	9	97	106
At June 30 2007	17	141	158
Accumulated Depreciation			
At January 1 2007	1	7	8
Charged during period	1	24	25

At June 30 2007	2	31	33
Net book Value			
At June 30 2007	15	110	125

7 LOSS PER SHARE

Basic earnings / loss per share (EPS) is computed by dividing the profit or loss for the period available to ordinary shareholders by the sum of the weighted average number of ordinary shares in issue and ranking for dividend during the period.

The diluted loss per share reflects the potential dilution by including other common share equivalents, such as outstanding share options and share warrants, in the weighted average number of common shares outstanding during the year.

	June 30	December 31	December 31	December 31
	2007	2006	2005	2004
	\$'000	\$'000	\$'000	\$'000
Numerator				
Numerator for EPS - loss	(1,021)	(255)	(463)	(31)
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	\$'000	\$'000	\$'000	\$'000
Denominator				
Denominator for basic EPS (No. of shares)	31,759	23,194	11,734	50
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Basic EPS	(3.21)c	(1.10)c	(3.95)c	(62.00)c
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	\$'000	\$'000	\$'000	\$'000
Denominator				
Denominator for diluted EPS (No. of shares)	36,591	26,419	12,513	50
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Diluted EPS	(3.21)c	(1.10)c	(3.95)c	(62.00)c

8 INVESTMENTS

The principal subsidiaries of the Company are as follows:

Name of company	Nature of business	Country of incorporation	Date of incorporation	Percentage owned
African Aura Resources (LIB) Limited	Holding Co.	Seychelles	February 10, 2006	100%
African Aura Resources (Liberia) Limited*	Licence Holder	Liberia	January 18, 2005	100%
African Aura Resources (CAM) Limited	Holding Co.	Seychelles	February 10, 2006	100%
African Aura Resources (Cameroon) SARL *	Licence Holder	Cameroon	May 22, 2006	100%
Caminex SARL *	Licence Holder	Cameroon	May 16, 2006	100%
Caminur SARL *	Inactive	Cameroon	May 18, 2006	100%
African Aura Resources (CAR) Limited	Holding Co	Seychelles	February 10, 2006	100%
African Aura Resources (Centrafrique) SURL *	Inactive	Central African Republic	June 13, 2006	100%
African Aura Resources (UK) Limited	Service Company	United Kingdom	September 22, 2006	100%
African Aura Resources (ZIM) SARL	Holding Co.	Seychelles	September 28, 2006	100%
Ridgeway Energy Limited	Holding Co.	Seychelles	May 14, 2006	70%
Ridgeway Energy Cameroon SARL *	Licence Holder	Cameroon	May 14, 2006	70%

* Indirect

9 TAXATION

No liability to corporation tax arose on ordinary activities for the period ended June 30 2007 or for the prior years.

The Company has tax losses in Liberia, Cameroon and United Kingdom that, under certain circumstances, may be carried forward to offset future taxable income as follows:

Period	Tax Loss \$ '000	Rate of Tax
June 30 2007	135	30%

The future income tax asset has not been recognised as recovery is not foreseeable until the Company puts one of its properties into production.

10 OTHER RECEIVABLES

	June 30 2007	December 31 2006	December 31 2005	December 31 2004
	\$'000	\$'000	\$'000	\$'000
Other receivables and prepayments	284	184	113	2

11 OTHER PAYABLES

	June 30 2007	December 31 2006	December 31 2005	December 31 2004
	\$'000	\$'000	\$'000	\$'000
Other payables and accruals	63	119	12	77

12 SHARE CAPITAL

	Number	Total value
	'000	\$ '000
Authorised		
As at December 31 2004	50	50

On March 31 2005, the authorised share capital was changed from \$ 50,000 (50,000 shares of \$ 1.00 each) to \$ 9,500,000 (£ 5,000,000) - divided into 500,000,000 shares of \$ 0.019 (£ 0.01 each)

As at December 31 2005 and December 31 2006	500,000	9,500
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On June 1 2007, the authorised share capital was changed from £ 5,000,000 (divided into 500,000,000 shares of £ 0.01 each) to Canadian \$ 5,000,000 (divided into 500,000,000 shares of C\$ 0.01 each)

As at June 30 2007	500,000	5,000
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Issued and fully paid		\$' 000
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Issued during the year ended December 31 2004	50	50
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Shares as at December 31 2004 converted to shares of nominal value £ 0.01 each	2,500	48
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Issued during the year ended December 31 2005	18,836	347
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As at December 31 2005	21,336	395
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Issued during the year ended December 31 2006	10,566	197
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Cancelled during the year ended December 31 2006	(85)	(2)
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As at December 31 2006	31,817	590
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Issued during the period ended June 30 2007	539	11
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Cancelled during the year ended June 30 2007	(436)	(9)
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As at June 30 2007	31,920	592
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12.1 During the year ended December 31 2004 the Company issued 50,000 shares at \$ 1.00 each for \$ 50,000 to founders.

12.2 During the year ended December 31 2005 the Company issued 18,836,216 shares as follows:

- 7,500,000 shares for \$141,900 to the founders in April 2005.
- 3,540,000 shares for \$335,346 pursuant to a private placement in June 2005.
- 250,000 shares to a founder for \$21,748 for BRGM data set for Cameroon in June 2005.
- 1,000,000 shares to a founder for \$86,990 for ownership in a Joint Venture with Romanones Reed Company in Equatorial Guinea in June 2005.
- 5,470,000 shares for \$964,386 pursuant to a private placement in October 2005. A further 350,000 shares were issued in 2006 when proceeds were received.
- 900,000 shares to Exploration Capital Ltd. in lieu of fees to a director (included in related party transactions).
- 176,216 shares to directors in lieu of compensation (included in related party transactions).

12.3 During the year ended December 31 2006 the Company issued 10,566,100 shares as follows:

- 350,000 shares for \$62,223 pursuant to a private placement in October 2005 as the proceeds were actually received in January 2006.
- 3,314,830 shares for gross proceeds of \$806,375 were issued pursuant to a private placement.
- 3,651,736 shares for gross proceeds of \$1,217,421 were issued pursuant to a private placement.
- 676,316 for \$46,593 for exercise of shares stock options.
- 333,333 shares valued at \$89,999.91 (\$0.27 per share) to a vendor for consultancy services. In addition the same vendor purchased 669,060 shares for \$180,646.20 (\$0.27 per share) each issued simultaneously for cash.
- 319,375 shares to directors in lieu of compensation (included in related party transactions).
- 1,251,450 shares for \$217,727 as Finders Fee pursuant to a Finder's Fee agreement with SIQUED Geostrategies Ltd dated April 1, 2006 in respect of their work completed on the Batouri gold occurrence in Cameroon. The Agreement detailed payments totalling 1,251,450 shares in African Aura. Thereafter, African Aura had the right to buy back a portion of these shares as follows:
 1. For the first year after signing of the Agreement to purchase 350,000 shares at a price of US\$0.19 (GBP 0.10) per share.
 2. On October 1, 2006, 85,725 shares for a consideration of US\$15,000.
 3. On March 1, 2007, 85,725 shares for a consideration of US\$15,000.
 4. On October 1, 2007, 315,000 shares for a consideration of US\$55,000.
 5. On October 1, 2008, 315,000 shares for a consideration of US\$55,000

The Agreement contains a provision that if African Aura elects to discontinue work on the Batouri licence at any time prior to the final buy back, SIQUED Geostrategies Ltd has agreed to sell the remaining shares that are subject to buy back to African Aura at a price of GBP 0.05 per share.

The buyback options listed in paragraphs 1 to 4 above were exercised and African Aura acquired a total of 836,450 shares which were subsequently cancelled.

12.4 During the period ended June 30, 2007 the Company issued 539,604 shares as follows:

- 323,568 shares for \$107,871 pursuant to a private placement in December 2006 as the proceeds were actually received in January 2007.

- 33,333 shares were issued for \$8,992 to a director in lieu of commission for arranging the private placement of 3,314,830 shares in 2006.
- 51,221 shares were issued for \$17,401 to a director in lieu of commission for arranging the private placement of 3,651,736 shares in 2006.
- 65,305 shares were issued to directors in lieu of compensation (included in related party transactions)
- 66,177 shares were issued to staff in lieu of bonus.

13 SHARE WARRANTS

The Company issued 16,605,388 Special Warrants at C\$0.45 each for a private placement for gross proceeds of £3,526,163 (\$7,018,854) in June 2007. This is a part of the total issue of 21,121,062 Special Warrants at a price of C\$0.45 per share with each Special Warrant being exchangeable at no additional cost into one common share in the capital of the Company and one half of one Purchase Warrant, each whole Purchase Warrant entitling the holder to purchase one Common Share at C\$0.60 for a period of 18 months from the day on which, through an initial public offering by Prospectus, a reverse takeover transaction with a listed company, or other going public transaction, the Common Shares of the Company or a successor are listed for trading on the Toronto Stock Exchange or the TSX Venture Exchange by Canadian securities regulators.

The balance of 4,515,674 Special Warrants for proceeds of \$1,921,000 were issued in July 2007.

14 OPTIONS

The Company has a stock option plan under which directors, officers, consultants and employees are eligible to receive stock options. The Board of Directors determines the terms and provisions of the options at the time of grant. Options under the plan generally have a term of ten years and are vested at the date of grant.

The following share options were exercised during the financial year ended December 31, 2006:

Issue Date	Option Price	Number Exercised	Exercise Date	Share price at exercise date
	\$			\$
October 1, 2004	0.04	131,579	September 1, 2006	0.29
October 1, 2004	0.05	131,579	September 1, 2006	0.29
October 1, 2004	0.05	131,579	September 1, 2006	0.29
October 1, 2004	0.06	131,579	September 1, 2006	0.29
June 1, 2005	0.09	100,000	November 1, 2006	0.29
December 1, 2005	0.17	50,000	November 1, 2006	0.29
		676,316		

The total number of options over ordinary shares outstanding at June 30, 2007, (including those held by directors) was 5,125,000 (December 31, 2006: 3,225,000 and December 31, 2005: 3,901,316). These options are exercisable as follows:

Number	Issue Date	Expiry Date	Price	Price
			GBP/C\$	US\$
1,025,000 *	June 1, 2005	June 1, 2015	£0.05	0.10
1,250,000	December 1, 2005	December 1, 2015	£0.10	0.20
650,000	December 1, 2005	December 1, 2015	£0.15	0.30
300,000	December 1, 2005	December 1, 2015	£0.20	0.40
400,000	January 1, 2007	January 1, 2017	£0.17	0.34
1,500,000	June 28, 2007	June 28, 2017	C\$0.45	0.44
5,125,000				

* 100,000 options were exercised in September 2007 by a Director.

The weighted average exercise price per share at June 30, 2007 was \$0.29 and the total stock-based compensation for June 2007 was \$709,000 (December 2006 - \$0; December 2005 - \$363,000; December 2004 - \$10,000). The fair value of the options to be expensed had been determined using the Black Scholes option pricing model with the following assumptions: no dividends were paid, using a volatility factor for six months to June 2007 of 88.28% (December 2006 - 76.07%; December 2005 - 58.5%; December 2004 - 58.5%); weighted average annual risk free rate of 5.00% (December 2006 - 5.00%; December 2005 - 5.00%; December 2004 - 5%) and an option life of 10 years.

Expected volatility has been calculated using the daily average of the price of the Company's shares using the latest placement price which have been negotiated on an arm's length basis and compared with other publicly traded, junior Canadian and UK mining companies known to Management.

Details of the share options outstanding are as follows:

	June 30, 2007		December 31, 2006		December 31, 2005		December 31, 2004	
	Number of share options	Weighted average exercise price US\$	Number of share options	Weighted average exercise price US\$	Number of share options	Weighted average exercise price US\$	Number of share options	Weighted average exercise price US\$
Outstanding at the beginning of the year	3,225,000	0.18	3,901,316	0.16	526,316	0.05		
Granted during the year	1,900,000	0.43			3,375,000	0.18	526,316	0.05
Exercised during the year			(676,316)	0.07				
Expired during the year								
Outstanding at the end of the year	5,125,000	0.29	3,225,000	0.18	3,901,316	0.16	526,316	0.05
Exercisable at the end of the year	5,125,000		3,225,000		3,901,316		526,316	

15 FOREIGN CURRENCY AND INTEREST RATE RISKS AND EXPOSURES

Currency rate risk

Loans between companies which are members of the Group are made in the operating currency of the lending company. In all other respects, the policy for all group companies is that they only trade in their operating currency.

The Group's expenses in Cameroon are incurred in Communauté Financière Africaine Franc (CFA). Any weakening in the CFA would result in a reduction in expenses in United States Dollar terms, which would be to the group's advantage. There is an equivalent downside risk to the Group if the CFA strengthened, which in turn would increase Cameroon's operating expenses in United States Dollar terms.

The Group's expenses in Liberia are incurred in United States Dollars.

Currency exposures

As at June 30, 2007, the Company held approximately \$7,522,000 cash in bank accounts denominated in U.K. pounds (December 31, 2006: \$2,015,000 and December 31, 2005: \$886,000). The Company has taken no action to reduce its exposure to foreign currency risk.

Interest rate risk

The Group has no external borrowings and is therefore not subject to interest rate risk.

16 RELATED PARTY TRANSACTIONS

The following table summarises the Company's related party transactions for the year:

	June 30	December 31	December 31	December 31
	2007	2006	2005	2004
	\$'000	\$'000	\$'000	\$'000
Directors compensation *	238	238	120	11
Commission	-	26	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	238	264	120	11

* \$74,150 (2006: \$70,104 and 2005: \$40,280) has been capitalised as Intangible Assets. There is a provision in the mineral exploration licences with the governments of Cameroon and Liberia that permits a proportion of management costs to be set off against the work commitments within each country. Accordingly a third of the salary of the Chief Executive Officer and Chief Operating Officer has been assigned to each of Cameroon and Liberia, representing the proportion of the management time expended for these projects.

Directors compensation and commission include shares issued in lieu of compensation – 65,305 shares: June 30, 2007, 403,929 shares: December 31, 2006 and 1,076,216 shares: December 31, 2005.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

17 SUBSEQUENT EVENTS

On ■■■■■, the Company entered into an agreement in relation to a proposed initial public offering ("IPO") of 14,405,304 units at a price of C\$0.55 per unit. Each unit is comprised of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company for a period of 24 months from the date of closing of the IPO at a price of C\$0.80.

18 RECONCILIATION OF IFRS WITH GAAP

Canadian GAAP Standards

In 2005, the CICA approved the following Handbook Sections: 1530, Comprehensive Income, 3855, Financial Instruments – Recognition and Measurement, 3865, Hedges and 3251, Equity. These standards are effective for the Company beginning January 1 2007.

The following provides further information on each of the new accounting standards as they relate to the Company.

Comprehensive Income

Other comprehensive income will be included as a separate component of the shareholders' equity on the balance sheets. The major components that will be included in this category include unrealized gains and losses on financial assets classified as available-for-sale, unrealized foreign currency translation amounts, net of hedging, and changes in the fair value of the effective portion of cash flow hedging instruments.

These amounts will be recorded in the statement of other comprehensive income until the criteria for recognition in the statement of income are met. Handbook section 3251 establishes standards for the

presentation of equity and changes in equity during the reporting period. It specifies that an entity should separately present the following components of equity: retained earnings, accumulated other comprehensive income, contributed surplus, share capital and reserves.

Financial Instruments – Recognition and Measurement

Under the new standard, for accounting purposes, financial assets will be classified as one of the following: held-to-maturity, loans and receivables, trading or available-for-sale, and financial liabilities will be classified as held-for-trading or other than held-for-trading. Financial assets and liabilities classified as held-for-trading will be measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables and financial liabilities other than those held-for-trading, will be measured at amortized cost.

Available-for-sale instruments will be measured at fair value with unrealized gains and losses recognized in other comprehensive income. The standard permits an entity to designate any financial instrument, upon initial recognition, as held-for-trading. All derivatives, including embedded derivatives that must be separately accounted for, generally must be classified as held for trading and recorded at fair value in the balance sheets.

Hedges

This new standard specifies the criteria under which hedge accounting can be applied and how hedge accounting is to be executed for each of the permitted hedging strategies: fair value hedges, cash flow hedges and hedges of a foreign currency exposure of a net investment in a self-sustaining foreign operation.

Non-monetary transactions

In June 2005, the CICA issued Handbook Section 3831, Non-Monetary Transactions, replacing Section 3830 of the same title. The new accounting standard requires all non-monetary transactions be measured at fair value unless certain conditions are satisfied. The new requirements are effective for non-monetary transactions initiated in periods beginning on or after January 1 2006.

The adoption of these principles effective January 1 2007 did not have any material impact on these financial statements.