AFRICAN GOLD GROUP, INC.
Consolidated Financial Statements
For the years ended December 31, 2011 and 2010
(Expressed in U.S. Dollars)

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Independent Auditor's Report

To the Shareholders of African Gold Group, Inc.

We have audited the accompanying consolidated financial statements of African Gold Group, Inc., which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010 and the consolidated statements of comprehensive income (loss), consolidated statements of equity and consolidated statements of cash flows for the years ended December 31, 2011 and December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of African Gold Group, Inc. as at December 31, 2011, December 31, 2010 and January 1, 2010, its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

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Emphasis of Matter
Without qualifying our opinion, we draw attention to the going concern assumption paragraph in Note 2 of the consolidated financial statements which indicates that the Company's ability to recover amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain financing and future profitable production. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

April 27, 2012
Toronto, Ontario

AFRICAN GOLD GROUP, INC.
Consolidated Statements of Financial Position
(Expressed in U.S. Dollars)

	December 31, 2011	December 31, 2010 (Note 15)	January 1, 2010 (Note 15)
ASSETS			
Current assets			
Cash and cash equivalents (note 4)	$ 5,787,280	$ 11,583,838	$ 360,438
Short term investments	-	-	4,770,013
Receivables	61,665	106,606	26,441
Due from director	-	-	32,805
Due from related parties (note 7)	142,919	65,466	3,068
Prepaid expenses	152,296	93,061	18,557
Total Current Assets	6,144,160	11,848,971	5,211,322
Exploration and evaluation assets (note 5)	26,746,092	20,745,221	17,530,500
Property and equipment (note 6)	874,515	132,234	51,699
Total Assets	$ 33,764,767	$ 32,726,426	$ 22,793,521
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities (note 7)	$ 1,228,414	$ 1,190,090	$ 814,071
SHAREHOLDERS' EQUITY			
Share capital (note 8)	43,933,108	40,474,869	29,356,842
Reserve - share based payments (note 8)	5,645,777	5,745,440	4,285,268
Accumulated other comprehensive income	356,922	994,576	59,000
Accumulated deficit	(17,399,454)	(15,678,549)	(11,721,660)
Total Shareholders' Equity	32,536,353	31,536,336	21,979,450
Total Liabilities and Shareholders' Equity	$ 33,764,767	$ 32,726,426	$ 22,793,521

On behalf of the Board:

_______________________ Director

_______________________ Director

The accompanying notes are an integral part of the consolidated financial statements.

AFRICAN GOLD GROUP, INC.
Consolidated Statements of Comprehensive Loss
(Expressed in U.S. Dollars)

For the years ended December 31,		2011		2010
Interest income	$	58,698	$	13,901
Expenses				
Administrative and general		1,302,386		1,633,180
Personnel costs		550,274		597,434
Depreciation		18,315		11,377
Foreign exchange (gain) loss		(328,189)		750,060
Share based payments		236,817		978,739
		1,779,603		3,970,790
Net loss for the year	$	(1,720,905)	$	(3,956,889)
Foreign currency translation differences		(637,654)		994,576
Comprehensive loss for the year	$	(2,358,560)	$	(2,962,313)
Weighted average shares outstanding		114,266,560		76,286,167
Basic and diluted loss per share (note 9)	$	(0.02)	$	(0.04)

The accompanying notes are an integral part of the consolidated financial statements.

AFRICAN GOLD GROUP, INC.
Consolidated Statements of Equity
(Expressed in U.S. Dollars)

	Shares	Share Capital	Reserve - Share Based Payments	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
		$	$	$	$	$
Balance, January 1, 2010	74,890,168	29,356,842	4,285,268	59,000	(11,721,660)	21,979,450
Net loss for the year	-	-	-	-	(3,956,889)	(3,956,889)
Foreign currency translation differences	-	-	-	994,576	-	994,576
Reversal of fair value adjustment made on available for sale financial assets	-	-		(59,000)	-	(59,000)
Exercise of warrants (note 8(b)(i))	4,971,020	737,022	-	-	-	737,022
Exercise of stock options (note 8(b)(ii))	100,000	9,782	-	-	-	9,782
Private placement (note 8(b)(iii))	17,200,000	11,894,673	-	-	-	11,894,673
Share issue costs (note 8(b)(iii))		(1,523,450)				(1,523,450)
Compensation warrants granted (note 8(b)(iii))	-	-	481,433	-	-	481,433
Share based payments	-	-	978,739	-	-	978,739
Balance, December 31, 2010	97,161,188	40,474,869	5,745,440	994,576	(15,678,549)	31,536,336
Net loss for the year	-	-	-	-	(1,720,905)	(1,720,905)
Foreign currency translation differences	-	-	-	(637,654)	-	(637,654)
Exercise of warrants (note 8(b)(iv))	17,403,800	2,618,267	-	-	-	2,618,267
Exercise of compensation units (note 8(b)(v))	800,000	808,828	(325,564)	-	-	483,264
Exercise of stock options (note 8(b)(vi))	200,000	31,144	(10,916)	-	-	20,228
Share based payments	-	-	236,817	-	-	236,817
Balance, December 31, 2011	115,564,988	43,933,108	5,645,777	356,922	(17,399,454)	32,536,353

The accompanying notes are an integral part of the consolidated financial statements.

AFRICAN GOLD GROUP, INC.
Consolidated Statements of Cash Flows
(Expressed in U.S. Dollars)

For the years ended December 31,	2011	2010
Cash flows from operating activities		
Net loss for the year	$ (1,720,905)	$ (3,956,889)
Adjustment to reconcile loss to net cash used in operating activities		
Foreign exchange (gain) loss	(328,189)	750,060
Depreciation	18,315	11,377
Share based payments	236,817	978,739
Interest income	(58,698)	(13,901)
Forgiveness of debt	-	(17,728)
	(1,852,660)	(2,248,342)
Changes in non-cash working capital balances		
Receivables and prepaid expenses	(14,293)	(154,669)
Accounts payable and accrued liabilities	38,324	376,019
Net cash used in operating activities	(1,828,629)	(2,026,992)
Cash flows from investing activities		
Purchase of property and equipment	(820,725)	(107,789)
Redemption of short term investments	-	4,770,013
Due from director	-	32,805
Due from related party	(77,453)	(62,398)
Additions to exploration and evaluation assets	(5,940,743)	(3,198,844)
Interest received	58,698	13,901
Net cash used investing activities	(6,780,223)	1,447,688
Cash flows from financing activities		
Cash proceeds from issue of common shares	-	11,894,674
Costs of issue of shares	-	(1,042,018)
Exercise of stock options	20,228	9,782
Exercise of compensation units	483,264	-
Exercise of warrants	2,618,267	737,022
Net cash provided from financing activities	3,121,759	11,599,460
Effect of foreign currency translation on cash balances	(309,465)	203,244
Increase (decrease) in cash and cash equivalents	(5,796,558)	11,223,400
Cash and cash equivalents, beginning of year	11,583,838	360,438
Cash and cash equivalents, end of year	$ 5,787,280	$ 11,583,838
Cash and cash equivalents:		
Cash	$ 1,150,339	$ 895,431
High-interest savings accounts	4,636,941	10,688,407
	$ 5,787,280	$ 11,583,838
Non-cash transactions:		
Issuance of broker warrants	$ -	$ 481,433

The accompanying notes are an integral part of the consolidated financial statements.

1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

Nature of Business

African Gold Group, Inc. (the “Company” or “AGG”) was incorporated in Ontario, Canada on October 2, 2002 and carries on business in one segment, being the identification, acquisition and exploration of properties for mining of precious and base metals. The Company’s principal assets are mining licenses located in Ghana and Mali, West Africa. The Company is listed on the TSX Venture Exchange, having the symbol AGG-V. The address of the Company’s head office is 150 King Street West, Suite 2518, Toronto, Ontario, Canada M5H 1J9.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company’s continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable reserves and the achievement of the Company’s ability to dispose of its interests on an advantageous basis. Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest in accordance with industry standards to the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory requirements.

Basis of Presentation

These consolidated financial statements of the Company were prepared in accordance with IFRS, as issued by the International Accounting Standards Board (“IASB”). As these consolidated financial statements represent the Company’s initial annual presentation of its results and financial position under IFRS, they were prepared in accordance with IFRS 1, First-time Adoption of IFRS. The accounting policies are based on the IFRS standards and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations that are effective for each reporting period presented. The policies set out below were consistently applied to all periods presented. This is the first time that the Company has prepared its financial statements in accordance with IFRS, having previously prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles (pre-changeover Canadian GAAP).

The accounting policies as set out below have been applied in preparing the consolidated financial statements for the year ended December 31, 2011, the comparative information presented in these consolidated financial statements for the year ended December 31, 2010 and in the preparation of an opening IFRS statement of financial position at January 1, 2010 (the Company’s date of transition).

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 15.

The consolidated financial statements were authorized for issue by the Board of Directors on April 27, 2012.

2. GOING CONCERN

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern. Accordingly they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those presented in these consolidated financial statements

2. GOING CONCERN - continued

The Company reported a net loss of $1.7 million and negative cash flows from operations of $1.8 million. At December 31, 2011, the Company has working capital of $4.9 million which it believes is insufficient to meet its committed exploration expenditures for its exploration and evaluation assets and to meet its corporate administrative expenses for the next 12 months

The Company has a need for equity capital and financing for working capital and exploration and development of its properties. Because of continuing operating losses, the Company's continuance as a going concern is dependent on its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation. While the Company has been successful in securing financing in the past, there is no assurance that it will be able to do so in the future.

These circumstances create material uncertainty that lends significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements and in preparing the opening IFRS Statement of Financial Position at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated. The accounting principles followed in preparing these consolidated financial statements are as follows:

Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in United States dollars unless otherwise indicated. The functional currency of the Company is the Canadian dollar.

Principles of Consolidation

The consolidated financial statements include the accounts of its wholly owned subsidiaries AGG (Barbados) Limited (incorporated in Barbados), AGG (Ghana) Ltd. and Arziki Mining Ltd. ("Arziki") (both incorporated in Ghana, Africa) and AGG (Mali) S.A.R.L. (incorporated in Mali, Africa). All inter-company transactions and resulting balances have been eliminated on consolidation.

Financial Instruments

Financial Assets

Financial assets are initially recorded at fair value and designated upon inception into one of the following categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss. Financial assets are recognized on the trade date at which the Company becomes party to the contractual provisions of the instrument.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial Instruments - continued

A financial asset is classified at fair value through profit or loss ("FVTPL") if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as FVTPL if the Company manages such investments and makes purchases and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Realized and unrealized gains and losses are reflected in the statement of comprehensive loss. Transaction costs associated with fair value through profit or loss financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset. The Company has designated its cash as held-for-trading, which is measured at fair value.

Loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Available-for-sale instruments are non-derivative financial assets that do not meet the definition of loans and receivables, are classified as available-for-sale and comprise principally of the Company's short-term investments. Available-for-sale investments are carried at fair value with changes in fair value recognized in other comprehensive loss/income. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive loss/income, is recognized in profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost. On sale or impairment, the cumulative amount recognized in other comprehensive loss/income is reclassified from accumulated other comprehensive loss/income to profit or loss.

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial Liabilities

Financial liabilities are initially recorded at fair value and designated upon inception as other financial liabilities. Accounts payable and accrued liabilities are recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Accounts payable and accrued liabilities are classified as other financial liabilities. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Financial liabilities are derecognized when the contractual obligations are discharged, cancelled or expire.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid high-interest savings accounts convertible to known amounts of cash and subject to an insignificant risk of change in value.

Exploration and Evaluation Assets

Pre-exploration costs are expensed in the year in which they are incurred.

Once the legal right to explore a property has been acquired, all direct costs related to exploration and evaluation of mineral properties, net of incidental revenues, are capitalized under exploration and evaluation assets. Exploration and evaluation expenditures include such costs as the acquisition of rights to explore; sampling and surveying costs; costs related to topography, geology, geochemistry and geophysical studies; drilling costs and costs in relation to technical feasibility and commercial feasibility of extracting a mineral resource. These costs will be amortized against income using the unit-of-production method based on estimated based on estimated recoverable reserves. The recorded amounts exploration and evaluation assets represent actual expenditures incurred and are not intended to reflect present or future values. Costs not directly attributable to exploration and evaluation activities, including general and administrative costs, are expensed in the year in which they occur.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development, and on future profitable production or proceeds from the disposition thereof, all of which are uncertain.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs. Mineral exploration and evaluation expenditures are classified as intangible assets.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Property and Equipment

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in profit or loss.

Depreciation is based on the cost of an asset less its residual value. Depreciation is recognized in profit or loss over the estimated useful lives as follows:

Computers	-	30% diminishing balance
Furniture and fixtures	-	10% straight line
Truck	-	20% straight line
Leasehold improvements	-	Over the term of the lease
Exploration equipment	-	33 1/3% straight line

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Property and Equipment - continued

Where it is not possible to estimate the recoverable amount of individual assets, the impairment test is carried out on the asset's cash-generation unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely dependent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed.

An impairment loss is charged to the profit or loss, except to the extent they reverse gains previously recognized in other comprehensive income/loss.

Income Taxes

Income tax on the profit or loss for the period presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to taxes payable with regards to previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. At the end of each reporting year, the Company reassesses unrecognized tax deferred assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Share Based Payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Share Based Payments - continued

The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period based on the Company's estimate of options that will eventually vest. The number of forfeitures likely to occur is estimated on grant date.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

All equity-settled share-based payments are reflected in Reserve – Share based payments, until exercised. Upon exercise, the shares are issued from treasury and the amount reflected in Reserve – Share based payments is credited to share capital for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

Comprehensive Income (Loss)

Comprehensive income includes net earnings (loss) and other comprehensive income (loss). Other comprehensive income includes holding gains on available for sale investments, gains and losses on certain derivative instruments and currency gains and losses relating to the translating financial statements of foreign operations.

Foreign Currency Transactions and Translation

The reporting currency is the U.S. dollar. The Company's functional currency is the Canadian dollar. The functional currency of the Company's subsidiaries, AGG (Barbados) Limited, AGG (Ghana) Ltd., Arziki Mining Ltd. ("Arziki") and AGG (Mali) S.A.R.L. is the U.S. dollar. References to CDN$ represent Canadian dollars.

Accordingly, the accounts of the Company are translated to U.S. dollars as follows:

- all of the assets and liabilities are translated at the rate of exchange in effect on the date of the statement of financial position;
- revenue and expenses are translated at the exchange rate approximating those in effect on the date of the transactions; and
- exchange gains and losses arising from translation are included in accumulated other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Foreign Currency Transactions and Translation - continued

Transactions in currencies other than the U.S. dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the date of the statement of financial position while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of operations and comprehensive loss.

Provisions

A provision is recognized in the consolidated statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in provision due to passage of time is recognized as interest expense.

Provisions – continued

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. At each consolidated statement of financial position reporting date, provisions are reviewed and adjusted to reflect the current best estimate of the expenditure required to settle the present obligation.

The Company has no material provisions as at December 31, 2011, December 31, 2010 and January 1, 2010.

Rehabilitation Provisions

A legal or constructive obligation to incur rehabilitation provisions may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market- based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company had no material rehabilitation obligations as at December 31, 2011, December 31, 2010 and January 1, 2010.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Loss per Share

Basic loss per share is calculated by dividing net loss applicable to common shares of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per common share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments are converted during the year.

Critical Accounting Estimates and Judgments

The preparation of consolidated financial statements in conformity with 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Exploration and Evaluation Assets

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the year the new information becomes available.

Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Impairment

Assets, including property and equipment, and exploration and evaluation assets, are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Critical Accounting Estimates and Judgments - continued

There are a few circumstances that would warrant a test for impairment of exploration and evaluation assets, which include: the expiry of the right to explore, substantive expenditure on further exploration is not planned, exploration for and evaluation of the mineral resources in the area have not led to discovery of commercially viable quantities, and/or sufficient data exists to show that the carrying amount of the asset is unlikely to be recovered in full from successful development or by sale. If information becomes available suggesting impairment, the amount capitalized is written off in the statement of comprehensive income (loss) during the period the new information becomes available.

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

Functional Currency

The determination of an entity's functional currency is a key judgment based on the primary economic environment in which each entity of the Company operates. In determining the functional currency, management considers the currency that most faithfully represents the economic effects of events, conditions, future direction and investment opportunities.

Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

Share-Based Payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 8(c).

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Recent Accounting Pronouncements

The International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretations Committees ("IFRIC") have issued a number of new or revised standards or interpretations that will become effective for future periods and have a potential implication for the Company.

IFRS 7 Financial instruments - Disclosures ("IFRS 7") was amended by the IASB in October 2010 and provides guidance on identifying transfers of financial assets and continuing involvement in transferred assets for disclosure purposes. The amendments introduce new disclosure requirements for transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and for financial assets that are derecognized in their entirety but for which continuing involvement is retained. The amendments to IFRS 7 are effective for annual periods beginning on or after July 1, 2011. The Company has not yet determined the impact of the amendments to IFRS 7 on its consolidated financial statements.

The IASB issued IFRS 9, Financial Instruments in November 2009 as the first step in its project to replace lAS 39, Financial Instruments: Recognition and Measurement; in particular, it introduces new requirements for classifying and measuring financial assets. The IASB intends to expand IFRS 9 before its effective date of January 1, 2015 to add new requirements for impairment of financial assets measured at amortized cost and for hedge accounting. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 10 Consolidated Financial Statements ("IFRS 10") establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidated – Special Purpose Entities" and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 11 Joint Arrangements ("IFRS 11") replaces the guidance in IAS 31 Interests in Joint Ventures. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previous jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11 joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Recent Accounting Pronouncements - continued

Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value (including any allocation of goodwill) into a single investment balance at the beginning of the earliest period presented. The investment's opening balance is tested for impairment in accordance with IAS 28 Investments in Associates and IAS 36 Impairment of Assets. Any impairment losses are recognized as an adjustment to opening retained earnings at the beginning of the earliest period presented. The Company intends to adopt IFRS 11 in its consolidated financial statements for the annual period beginning on January 1, 2013. The Company has not yet determined the impact of the amendments to IFRS 11 on its consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12") applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 13, Fair Value Measurement replaces the guidance on fair value measurement in existing IFRS accounting measurement with a single standard. It defines and provides guidance on determining fair value and requires disclosures about fair value measurements, but does not change the requirements regarding which items are measured or disclosed at fair value. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

An amendment to IAS 1, Presentation of financial statements ("IAS 1") was issued by the IASB in June 2011. The amendment requires separate presentation for items of other comprehensive income that would be reclassified to profit or loss in the future, such as foreign currency differences on disposal of a foreign operation, if certain conditions are met from those that would never be reclassified to profit or loss. The effective date is July 1, 2012 and earlier adoption is permitted. The Company is currently evaluating the impact of this amendment on its consolidated financial statements.

An amendment to IAS 12, Income Taxes ("IAS 12") was issued by the IASB in June 2011. The amendment requires that deferred tax on non-depreciable assets measured should always be measured on a sale basis. The amendments to IAS 12 are effective for annual periods beginning on or after January 1, 2012. The Company is currently evaluating the impact of the amendments on its consolidated financial statements.

An amendment to IAS 19, Employee Benefits ("IAS 19") was issued by the IASB in June 2011. The amendment requires recognition of changes in the defined benefit obligations and in fair value of plan assets when they occur, hence accelerating the recognition of past service costs. The amendment also modifies accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits. The amendments to IAS 19 are effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of the amendments on its consolidated financial statements.

IAS 27, Separate financial statements ("IAS 27") was re-issued by the IASB in May 2011 to only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The consolidation guidance will now be included in IFRS 10. The amendments to IAS 27 are effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of the amendments on its consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Recent Accounting Pronouncements - continued

IAS 28, Investments in associates and joint ventures ("IAS 28") was re-issued by the IASB in May 2011. IAS 28 continues to prescribe the accounting for investments in associates, but is now the only source of guidance describing the application of the equity method. The amended IAS 28 will be applied by all entities that have an ownership interest with joint control of, or significant influence over, an investee. The amendments to IAS 28 are effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of the amendments on its consolidated financial statements.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at banks and on hand earn interest at floating interest rates based on daily deposit rates.

5. EXPLORATION AND EVALUATION ASSETS

The Company holds interests in the following mineral properties in Ghana and Mali:

Ayaco License ("the Ayaco License") (also known as the Mankranho License)

In 2007, the Company owned 68.84% of the issued shares of Columbia River Resources Inc. ("CRR"). CRR owns a 100% interest in the Mankranho License subject to a 10% interest by the Government of Ghana. The Mankranho License was held for CRR by CME Ghana Ltd., a company that is wholly-owned by a director and officer of the Company, pursuant to a trust agreement. On May 6, 2004, the Company entered into an earn-in agreement with CRR. Under the terms of the earned-in option, the Company earned an 85% interest in the Ayaco License upon incurring $2,253,000 exploration expenses prior to December 31, 2004. On October 1st, 2007 the Board of Directors of Columbia River Resources passed a resolution acknowledging that all obligations subscribed to by the Company in the agreement have been fulfilled such that the Company be allowed to purchase CRR's NSR rights, that the title of the license be transferred to the Company from CME Ghana Ltd. and that the Company be released from all its obligations. As at December 31, 2007, all of these obligations had been met.

During the first quarter of 2008, the Company was made aware that on November 2, 2007 the Company's 68.84% shareholding in CRR was diluted through a reverse merger. The Company believes that the transaction was not appropriately approved by the majority of the shareholders of CRR, specifically no approval was obtained from the Company. The transaction has been challenged by AGG, however no legal proceedings have been commenced. The Company is not able to determine the outcome of any proceedings. Given the uncertainty surrounding the realization of this investment, AGG determined that consolidation was no longer appropriate and has written off the investment.

On October 23, 2008, the Company signed an Option Agreement with Newmont Ghana Ltd. ("Newmont"), a subsidiary of Newmont Mining Corporation to earn up to 70% interest in the Mankranho property by spending $8,000,000 on Mankranho exploration. The agreement is predicated on annual renewals by Newmont each October. AGG provided that formal notice to CME Ghana to register the Mankranho License in the name of AGG's wholly owned subsidiary AGG Ghana in March, 2010, but CME Ghana has yet to fulfill its obligation under the trust agreement. Accordingly, the Company has applied to the Ghana courts in an effort to resolve this issue. The Company has been advised by its venture partner that they have ceased work on the Mankranho property until this administrative matter has been completed.

5. EXPLORATION AND EVALUATION ASSETS - continued

Twedee License ("the Twedee License") (also known as the Arziki License)

The Company through its Ghanaian subsidiary "Arziki Mining Ltd." owns a 100% interest in the Twedee License which is subject to a 10% interest by the Government of Ghana.

Moseaso License ("the Moseaso License")

Pursuant to an Option Agreement dated May 30, 2003 entered into by the Company and Moseaso Mining Company Limited ("MMC"), the Company has the right to acquire 100% interest in the Moseaso License for a period up to May 30, 2008 subject to a 10% interest by the Government of Ghana and a 15% net profit interest by MMC with the option to pay $250,000 at the time of production and decrease the net profit interest due to MMC to 10%. All consideration required by the terms of the agreement has been satisfied to date.

Nyankumasi Concession

On October 1, 2004, CME Ghana Ltd, entered into an option agreement to acquire the "Nyankumasi" concession from Jelgom Mining Company Limited on behalf of the Company for a total consideration of $200,000. Under the terms of the agreement, the Company paid $5,000 on the signing of the agreement. In addition, the Company paid a one time quarterly fee of $15,000. Annual payments were required to be made over a period of 5 years or until production commences. All consideration required by the terms of the agreement has been satisfied to date and the property title transferred to the Company. Title is in the process of being transferred to AGG (Ghana) Ltd.

The interest in the concession is subject to a 10% royalty interest to the Government of Ghana and a 3% net smelter royalty to Jelgom Mining Company.

The "Nyankumasi" concession covers approximately 71 square kilometers and is situated in the northeastern section of the Ashanti gold belt, approximately 48 kilometers east of Anglo Gold Ashanti's Obuasi mine and approximately 30 kilometers south-southwest of Newmont Mining Corporation's Akyem Project.

Tropical License

Pursuant to an Option Agreement dated April 4, 2005 entered into by the Company and Tropical Minerals Co. Ltd ("Tropical"), the Company has the right to acquire 100% interest in the Tropical Prospecting License for a period up to April 30, 2009 subject to a 10% interest by the Government of Ghana and a 20% net profit interest by Tropical for a purchase price of $300,000. The "Tropical" License covers an area of 98.84 sq. km. and 36.91 sq. km. located in the Amansie West and Nkawie Districts respectively in the Ashanti Region.

The Company paid a signing fee of $3,000 and $145,000 towards the purchase of a 70% interest in the License as per the terms of the Agreement with the final payment of $ 15,000 being satisfied to date.

The Company is responsible for all exploration expenditures with a right of first refusal to purchase the 20% net profit interest of Tropical in the event Tropical decides to sell. The Company may at any time terminate the Agreement by providing one month's written notice without reimbursement.

As a result of an arbitration process completed on January 6, 2012 between the Company and Tropical, it was agreed that AGG would pay $500,000 to Tropical to have the deed of assignment transferred. Payment has been satisfied and the requisite documents filed with the Ghana Minerals Commission to transfer Tropical’s assignment.

5. EXPLORATION AND EVALUATION ASSETS - continued

Manso Atwere License

On September 12, 2007, the Company entered into an option agreement with Gyampo Mining Company Limited ("GMCL") to acquire 100% interest in a prospecting license for the Manso Atwere concession located in Ghana, West Africa for a 5 year period through September 12, 2012 subject to a 10% equity interest by the Government of the Republic of Ghana and a 10% net profit interest to GMCL for a purchase price of $450,000. All consideration required by the terms of the agreement has been satisfied to date.

On March 23, 2011, the Company entered into an agreement with the Gyampo Mining Company Limited to purchase a 100% interest in a mineral license containing an area of approximately 6.8 square kilometres in the Amansic West District of the Ashanti Region in the Republic of Ghana for $120,000. All consideration required by the terms of the agreement has been satisfied to date.

Mali Concessions

On June 28, 2005, the Company entered into an agreement with Compagnie Miniere d'Or ('Cominor') SA of France to acquire a 100% interest in three exploration permits for three separate mineral concessions located in the Republic of Mali, West Africa. The purchase price paid for these three concessions was 750,000 Euros.

The three exploration permits consist of:

(i) The Bagoe-West Concession, which comprises 183 sq. km of land located in the Sikasso Region,
(ii) The Bagoe-East Concession, which comprises 183 sq. km of land located in the Sikasso Region, and
(iii) The Kobada Concession, comprising 41 sq. km of land located in the Kangaba Region.

5. EXPLORATION AND EVALUATION ASSETS - continued

Mali Concessions - continued

Included in the purchase price are data based reference material gathered from exploration and development activities performed by Cominor on each of the concessions, and a variety of ground transportation and exploration equipment.

In January 2008, the Company received notification from the Government of Mali Mines, Energy and Water Department that the application to explore the Foroko and Acoma concessions had been approved. The properties, representing approximately 216 square kilometres, are adjacent to the Kobada concession.

Subsequent to year end, exploration activities was suspended after consideration of the indirect impacts of a March 22, 2012 political coup d'etat in Mali. The Company continues to monitor the situation on a daily basis to determine when exploration activities may be resumed. The political situation in Mali appears to be stabilizing. Exploration activities are expected to resume as soon as normal commerce can be conducted and the security of personnel can be assured; however, no precise timetable for recommencement can be set at this time.

The following is a summary of the carrying amount of exploration and evaluation assets:

	Ayaco License	Tweedee License	Moseao License	Nyamkumasi Concession	Tropical License	Manso Atwere Licenses	Mali Concessions	Total
Balance at January 1, 2010	**$ 3,683,347**	**$ 201,825**	**$ 1,377,000**	**$ 1,017,557**	**$ 1,110,850**	**$ 1,146,263**	**$ 8,993,658**	**$ 17,530,500**
Exploration costs	6,353	76,577	117,483	6,493	87,738	126,394	2,793,683	3,214,721
Balance at December 31, 2010	**$ 3,689,700**	**$ 278,402**	**$ 1,494,483**	**$ 1,024,050**	**$ 1,198,588**	**$ 1,272,657**	**$ 11,787,341**	**$ 20,745,221**
Exploration costs	13,894	62,641	150,563	106,234	178,736	492,315	4,996,488	6,000,871
Balance at December 31, 2011	**$ 3,703,594**	**$ 341,043**	**$ 1,645,046**	**$ 1,130,284**	**$ 1,377,324**	**$ 1,764,972**	**$ 16,783,829**	**$ 26,746,092**

6. PROPERTY AND EQUIPMENT

	Computers	Furniture and Fixtures	Vehicles	Leasehold Improvements	Exploration Equipment	Total
Cost						
Cost at January 1, 2010	**$ 38,080**	**$ 63,293**	**$ 57,278**	**$ -**	**$ -**	**$ 158,651**
Additions	9,421	1,397	96,971	-	-	107,789
Cost at December 31, 2010	**47,501**	**64,690**	**154,249**	**-**	**-**	**266,440**
Additions	28,968	17,682	146,696	8,606	618,773	820,725
Cost at December 31, 2011	**$ 76,469**	**$ 82,372**	**$ 300,945**	**$ 8,606**	**$ 618,773**	**$ 1,087,165**
Accumulated Depreciation						
Balance at January 1, 2010	**$ 25,790**	**$ 45,500**	**$ 35,662**	**$ -**	**$ -**	**$ 106,952**
Depreciation for the year	1,638	6,778	18,838	-	-	27,254
Balance at December 31, 2010	**27,428**	**52,278**	**54,500**	**-**	**-**	**134,206**
Depreciation for the year	10,859	7,353	45,519	6,110	8,602	78,443
Balance at December 31, 2011	**$ 38,287**	**$ 59,631**	**$ 100,019**	**$ 6,110**	**$ 8,602**	**$ 212,649**
Net book value at January 1, 2010	**$ 12,290**	**$ 17,793**	**$ 21,616**	**$ -**	**$ -**	**$ 51,699**
Net book value at December 31, 2010	**$ 20,073**	**$ 12,412**	**$ 99,749**	**$ -**	**$ -**	**$ 132,234**
Net book value at December 31, 2011	**$ 38,183**	**$ 22,741**	**$ 200,926**	**$ 2,496**	**$ 610,171**	**$ 874,515**

As of December 31, 2011 exploration equipment includes a drill under construction and not in use of $567,160 (2010 - $nil) for which no amortization has been taken for the year.

7. RELATED PARTY TRANSACTONS

a) The Company incurred project management and consulting fees to CME, a company that is wholly-owned by a former director of the Company in prior years who resigned from AGG in July 2008. Unpaid management and consulting fees of $290,401 (2010 - $290,401) have been included in accounts payable and accrued liabilities.

b) The balance due from related parties, which share common directors with AGG, are non-interest bearing, unsecured with no specific terms of repayment.

c) Legal fees of $97,246 (2010 - $306,185) were paid to a legal firm in which one of the partners is a director of the Company.

d) Legal fees of $47,500 (2010 - $20,500) were paid to a law firm in which one of the partners is a director of one of the subsidiaries.

e) Geological services were provided to the Company by two of its directors who charged $142,876 (2010 - $141,582) and $NIL (2010 - $71,230) respectively. Unpaid fees owing to one of the geologists of $18,516 (2010 -$21,350) is included in accounts payable and accrued liabilities.

f) On January 20, 2011, AGG loaned two of its directors an aggregate of CDN $295,000 in order to enable them to exercise 1,966,667 share purchase warrants of the Company at CDN $0.15 per share prior to their expiry on January 23, 2011 and January 29, 2011. The loans were repaid to the Company before December 31, 2011.

g) In accordance with IAS 24, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key management of the Company was as follows:

	2011	2010
Remuneration	$ 866,708	$ 888,289
Stock Compensation	2,510	773,018
Total	$ 869,218	$ 1,661,307

8. SHARE CAPITAL AND RESERVE FOR SHARE BASED PAYMENTS

a) Shares Authorized

The Company is authorized to issue an unlimited number of common shares with no par value. The holders of common shares are entitled to receive dividends which are declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

8. SHARE CAPITAL AND RESERVE FOR SHARE BASED PAYMENTS - continued

b) Transactions

(i) Exercise of Warrants – 2010

During the year ended December 31, 2010, 4,971,020 warrants were exercised at CDN$0.15 per warrant resulting in the issuance of 4,971,020 common shares for proceeds of CDN$745,653.

(ii) Exercise of Stock Options – 2010

In October 2010, 100,000 stock options were exercised at CDN$0.10 per option resulting in the issuance of 100,000 common shares.

(iii) Private Placement – December 2010

In December 2010, the Company closed a private placement of 17,200,000 units at CDN$0.70 per unit for gross proceeds of CDN$12,040,000. Each unit consists of one common share and one half common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share for a period of 24 months at CDN$1.00. In connection with the private placement, the Company paid CDN$1,053,307 in commission and other related issuance costs, and issued 1,204,000 broker compensation options. Each option entitles the holder to purchase one unit at a price of $0.70 for a period of 24 months. Each unit was issued under the same terms and conditions as the private placement units.

The value attributed to the broker compensation options was $481,433 using the Black-Scholes Option Pricing model. Significant assumptions used were as follows: dividend yield of 0%, expected volatility of 109%, risk free interest of 1.68% and an expected life of 2 years.

(iv) Exercise of Warrants – January 2011

In January 2011, 17,403,800 warrants were exercised at CDN$0.15 per warrant resulting in the issuance of 17,403,800 commons shares for proceeds of CDN$2,610,570 including notes receivable as described in note 7(f). The share price on the date of exercise was CDN $0.90.

(v) Exercise of Compensation Units – January 2011

In January 2011, 800,000 compensation units were exercised at CDN$0.60 per option resulting in the issuance of 800,000 common shares for proceeds of CDN$480,000. The share price on the date of exercise was CDN $0.77.

(vi) Exercise of Stock Options – February 2011

In February 2011, 200,000 stock options were exercised at CDN$0.10 per option resulting in the issuance of 200,000 common shares for proceeds of CDN$20,000. The share price on the date of exercise was CDN $0.85.

8. SHARE CAPITAL AND RESERVE FOR SHARE BASED PAYMENTS - continued

c) Stock Options

The Company has a Stock Option Plan (the "Plan") for its directors, officers, consultants and key employees under which the Company may grant options to acquire a maximum number of 11,556,000 common shares, representing approximately 10% of the total issued and outstanding common shares of the Company as of May 27, 2011. These options are non-transferrable and are valid for a maximum of 5 years from the date of issue. Vesting terms and conditions are determined by the Board of Directors at the time of the grant. The exercise price of the options is fixed by the Board of Directors of the Company at the time of the grant at the market price of the common shares, subject to all regulatory requirements. Expected volatility has been determined using the share price of the Company for the period equivalent to the life of the options prior to grant date.

For options issued to employees, directors and officers, the fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information. Options issued to non-employees are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted, using a valuation model.

In January and April of 2010, the Company granted 1,975,000 options to directors, officers, consultants and employees of AGG where 250,000 were issued for a two year term from the date of issuance at an exercise price of CDN$0.65 and 1,725,000 were issued for a five year term from the date of issuance at an exercise price of CDN$0.60. The following assumptions were used for the January 2010 options: dividend yield 0%, expected volatility 129%, risk free rate of return of 1.21% and an expected life of 2 years. The following assumptions were used for the April 2010 options: dividend yield 0%, expected volatility 95%, risk free rate of return of 2.80% and an expected life of 5 years. The fair value attributed to the options was $726,746.

On October 26, 2010, AGG granted 125,000 stock options to a consultant of the Company at an exercise price of CDN$0.60 for a period of 3 years from the date of issuance. The fair value attributed to the stock options granted was $49,759 using the Black-Scholes model for pricing options because the fair value of the services could not be determined by other methods. The following assumptions were used: dividend yield 0%, expected volatility of 116%, risk free rate of return of 1.43% and an expected life of 3 years.

On December 24, 2010, AGG granted 390,000 stock options to directors and employees of the Company at an exercise price of CDN$0.92 for a period of 5 years from the date of issuance. The fair value attributed to the stock options granted was $265,652 using the Black-Scholes model for pricing options. The following assumptions were used: dividend yield 0%, expected volatility of 99%, risk free rate of return of 2.23% and an expected life of 5 years.

On March 9, 2011, AGG granted 125,000 stock options to a consultant of the Company at an exercise price of CDN$0.91 for a period of 5 years from the date of issuance. The fair value attributed to the stock options granted was $87,492 using the Black-Scholes model for pricing options because the fair value of the services could not be determined by other methods. The following assumptions were used: dividend yield 0%, expected volatility of 99%, risk free rate of return of 2.38% and an expected life of 5 years.

8. SHARE CAPITAL AND RESERVE FOR SHARE BASED PAYMENTS - continued

c) Stock Options - continued

On April 20, 2011, AGG granted 250,000 stock options to a consultant of the Company at an exercise price of CDN$0.90 for a period of 3 years from the date of issuance. The fair value attributed to the stock options granted was $157,610 using the Black-Scholes model for pricing options because the fair value of the services could not be determined by other methods. The following assumptions were used: dividend yield 0%, expected volatility of 118%, risk free rate of return of 1.74% and an expected life of 3 years.

As at December 31, 2011, the Company had stock options outstanding as follows:

Date of Grant	Stock Options (#)	Exercise Price (CDN$)	Expiry Date
March 10, 2008	850,000	1.20	March 10, 2013
April 1, 2009	2,350,000	0.10	April 1, 2014
April 22, 2009	200,000	0.15	April 22, 2014
October 22, 2009	125,000	0.41	October 22, 2014
April 28, 2010	1,725,000	0.60	April 28, 2015
October 26, 2010	125,000	0.60	October 26, 2013
December 24, 2010	390,000	0.92	December 24, 2015
March 9, 2011	125,000	0.91	March 9, 2016
April 4, 2011	250,000	0.90	April 4, 2014
	6,140,000		

A summary of the Company's stock option activity during the year is as follows:

	Weighted Average Options	Weighted Average Exercise Price (CDN$)
Outstanding – January 1, 2010	5,400,000	0.57
Expired or forfeited	(1,550,000)	1.06
Cancelled	(50,000)	1.20
Exercised	(100,000)	0.10
Granted	2,490,000	0.66
Outstanding – December 31, 2010	6,190,000	0.48
Exercised	(200,000)	0.10
Expired	(225,000)	0.76
Granted	375,000	0.90
Outstanding – December 31, 2011	6,140,000	0.51
Vested – December 31, 2011	6,052,500	0.51
Unvested – December 31, 2011	87,500	0.81

8. SHARE CAPITAL AND RESERVE FOR SHARE BASED PAYMENTS - continued

d) Warrants and Compensation Units

A summary of the Company's warrant and compensation units activity during the year is as follows:

Outstanding – January 1, 2010	28,236,120
Issued with the December 2010 Private Placement	8,600,000
Underwriter's Compensation warrants issued	1,204,000
Exercised	(4,971,020)
Expired	(161,300)
Outstanding – December 31, 2010	**32,907,800**
Granted	400,000
Exercised	(18,203,800)
Expired	(5,300,000)
Outstanding – December 31, 2011	**9,804,000**

In December 2010, the Company issued 8,600,000 common share purchase warrants as described in note 8(b)(iii).

As a result of the 800,000 compensation units being exercised on January 27, 2011, 400,000 warrants were issued, entitling the holder to purchase one common share with each warrant exercised at an exercise price of $0.90 for a period which expired on June 16, 2011.

The warrants, exercise price and expiry date and warrants outstanding at December 31, 2011 are as follows:

Warrants	Exercise Price CDN($)	Expiry Date
8,600,000	1.00	December 17, 2012

e) Compensation Units

The Company has 1,204,000 broker compensation warrants outstanding at December 31, 2011. Each option entitles the holder to purchase one unit at a price of $0.70 for a period of 24 months. Each unit was issued under the same terms and conditions as the December private placement units as described in note 8(b)(iii).

9. BASIC AND DILUTED LOSS PER SHARE

Diluted loss per share, which reflects the maximum possible dilution from the potential exercise of outstanding stock options and warrants is the same as basic loss per share. For the 2011 and 2010 periods presented, the conversion of warrants and stock options was not included in the calculation because the calculation would be anti-dilutive.

10. INCOME TAXES

The following table summarizes the difference from the Canadian statutory rate of approximately 28% (2010 – 31%), the primary area of taxation for the entity, to the Company's current tax provision recorded.

	December 31, 2011	December 31, 2010
Net loss for the year before provision for income taxes	$ (1,720,905)	$ (3,956,889)
Expected income recovery at statutory rates	(481,854)	(1,226,636)
Adjustments resulting from:		
Permanent differences and expiring non-capital items	75,912	106,938
Change in tax rates	(109,376)	(59,342)
Losses expired/changed	424,350	-
Foreign currency differences	48,560	(89,755)
Change in unrecognized deferred tax asset	42,408	1,268,795
Provision (recovery) for income taxes	$ -	$ -

The change in the Canadian statutory rate over the prior year is the result of a reduction in the federal and provincial tax rates.

The nature and tax effect of the temporary differences giving rise to the deferred income tax assets at December 31, 2011, December 31, 2010 and January 1, 2010 are summarized as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Plant and equipment	$ 25,090	$ 19,109	$ 18,503
Share issuance costs	357,394	555,777	334,191
Non-capital losses carried forward	4,272,197	3,991,079	3,055,509
Exploration and evaluation assets	1,758,728	1,798,256	1,706,322
Foreign exchange differences	(2,613)	4,167	(14,932)
	6,410,796	6,368,388	5,099,593
Unrecognized deferred tax asset	(6,410,796)	(6,368,388)	(5,099,593)
Deferred tax asset	$ -	$ -	$ -

10. INCOME TAXES - continued

As at December 31, 2011, the Company has available non-capital losses of approximately $16,698,000 that may be carried forward to reduce taxable income derived in future years. These tax losses will expire as follows:

Year	Amount
2012	$ 326,000
2013	735,000
2014	2,006,000
2015	2,180,000
2016	212,000
2017	93,000
2018	124,000
2026	1,637,000
2027	2,089,000
2028	1,094,000
2029	1,845,000
2030	2,750,000
2031	1,607,000
	$ 16,698,000

The potential benefits of these carry-forward non-capital losses, capital losses and deductible temporary differences has not been recognized in these consolidated financial statement as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

11. CAPITAL MANAGEMENT

AGG manages its shareholders' equity as capital, making adjustments based on available funds, to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties to which the Company currently has an interest are in the exploration stage and as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration as well as satisfy administrative costs, the Company will spend its existing working capital and raise additional funds as needed. AGG will continue to assess new properties should sufficient geological or economic potential be demonstrated and if the Company has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the current size of the Company. There were no changes to its capital management approach during the year ended December 31, 2011. Neither AGG nor its subsidiaries are subject to externally imposed capital requirements.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company has no external debt and is dependent on the capital markets to finance exploration and development activities.

12. SEGMENTED INFORMATION

The Company has one operating segment: the acquisition, exploration and development of precious and base metal mineral resource properties located in Ghana and Mali.

Geographic segmentation of property and equipment and exploration and evaluation assets is as follows:

	December 31, 2011			
	Canada	Ghana	Mali	Total
Exploration and evaluation assets	$ -	$ 9,962,263	$ 16,783,829	$ 26,746,092
Property and equipment	20,301	92,767	761,447	874,515
	$ 20,301	$ 10,055,030	$ 27,507,539	$ 27,620,607

	December 31, 2010			
	Canada	Ghana	Mali	Total
Exploration and evaluation assets	$ -	$ 8,957,880	$ 11,787,341	$ 20,745,221
Property and equipment	5,481	43,992	82,761	132,234
	$ 5,481	$ 9,001,872	$ 11,870,102	$ 20,877,455

	January 1, 2010			
	Canada	Ghana	Mali	Total
Exploration and evaluation assets	$ -	$ 8,536,842	$ 8,993,658	$ 17,530,500
Property and equipment	2,517	32,295	16,887	51,699
	$ 5,481	$ 9,001,872	$ 11,870,102	$ 17,582,199

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed through its operations to the following financial risks:

- Market Risk
- Liquidity Risk
- Credit Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, polices and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

General Objectives, Policies and Processes:

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of three types of risk: foreign currency risk, interest rate risk and commodity price risk.

Foreign Currency Risk

Given the global nature of the Company's business, the Company's operating businesses, financial reporting results and cash flows are exposed to risks associated with foreign currency fluctuations. Currently, the Company does not hedge its foreign exchange risk. For 2011, management estimates that if the United States Dollar had weakened or strengthened by 10% against the Canadian dollar, Ghana dollar and Mali CFA, assuming all other variables remained constant, the net loss would have decreased or increased by approximately $335,000 (2010 - $1,200,000). Included in cash and cash equivalents is $2,424,911 (2010 - $11,127,664), receivables is $61,665 (2010 - $104,884), due from related party is $133,890 (2010 - $56,437) and accounts payable and accrued liabilities is $300,890 (2010 - $651,885) denominated in Canadian dollars.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with chartered Canadian financial institutions. Sensitivity to a plus or minus 1% change in the interest rates could impact any renewals or extensions of term deposits which would have no significant impact on the net loss due to the immateriality of the interest earned.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

Market Risk - continued

Commodity Price Risk

The ability of the Company to develop its mineral properties and the future profitability of the Company is directly related to the market price of precious metals. The Company closely monitors commodity prices to determine the appropriate course of action to be taken. Based on management's knowledge and expertise of the financial markets, the Company believes that commodity price risk is remote as the Company is not a producing entity.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

At December 31, 2011, AGG had a cash balance of $5,787,280 and current liabilities of $1,228,414. The Company is able to satisfy its obligations through its existing cash position and the existing liabilities are subject to normal trade terms.

The following is a summary of the Company's material contractual obligations (representing undiscounted contractual cash flows):

	Within 1 year	2 years	3 years	Over 4 years	Total
Accounts payable	$1,228,417	$ -	$ -	$ -	$1,228,417
Feasibility study	2,309,647	-	-	-	2,309,647
Operating lease	30,939	-	-	-	30,939
	$3,569,003	$ -	$ -	$ -	$3,569,003

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk in its cash and cash equivalents, short-term investments, receivables and due from related parties. The maximum credit risk represented by the Company's financial assets is represented by their carrying amounts. Concentration of credit risk exists with respect to the Company's cash and cash equivalents as substantially the entire amount is held at a single major Canadian financial institution. Credit risk on cash and cash equivalents and short-term investments is minimized by depositing with only reputable financial institutions. There is also concentration of credit risk from the balance due from related parties which share common directors with AGG. Management has reviewed the receivable balances and determined that the balances are collectible; accordingly there has been no allowance for doubtful accounts recorded.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

Determination of Fair Value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The consolidated statements of financial position carrying amounts for cash and cash equivalents, short term investments, receivables, amounts due from related party and accounts payable and accrued liabilities approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table represents a summary of financial instruments held at fair value by level:

January 1, 2010	Level 1
Cash and cash equivalents	$ 360,438
Short term investments	4,770,013

December 31, 2010	Level 1
Cash and cash equivalents	$ 11,583,838

December 31, 2011	Level 1
Cash and cash equivalents	$ 5,787,280

14. COMMITMENTS AND CONTINGENCY

In 2005, the Company was named defendant in a lawsuit filed in the Federal Courts of Ghana. The defendants in the case were required to pay to the plaintiff the sum of $73,000 and GHC 3,000. As of the year end, these settlement amounts have been fully paid to the plaintiff. The plaintiff still claims that interest is due and payable on that sum, and has called on the Company as the garnishee to do so. This is not considered likely and therefore no amounts have been accrued in the consolidated financial statements.

See note 5 for additional commitments and option payments on mineral properties.

14. COMMITMENTS AND CONTINGENCY - continued

At December 31, 2011, the Company has committed to $30,989 of leasing commitments in respect of premises.

Subsequent to year end, the Company has signed an agreement for a cost of CDN $2,348,873 to complete a feasibility study on its Kobada property.

The Company is required to pay $40,000 for each of the properties located in Ghana to effect the transfer of exploration licenses.

15. CONVERSION TO IFRS

IFRS 1, First Time Adoption of International Financial Reporting Standards, requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was January 1, 2010. IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be December 31, 2011. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adoption. Prior to transition to IFRS, the Company prepared its financial statement in accordance with Canadian GAAP.

First-time adoption of IFRS

The adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

The Company has elected to apply the following optional exemptions in its preparation of an opening IFRS statement of financial position as at January 1, 2010, the Company's "Transition Date".

Business combinations

The Company has elected not to retrospectively or prospectively apply IFRS 3 to the business combination that occurred prior to the transition date and therefore, has not restated any of these transactions

Cumulative translation difference

At transition, the Company elected to reset the cumulative foreign currency translation difference arising from the translation of foreign operations to zero.

Share-based payment transactions

The Company has elected not to retrospectively apply IFRS 2 to equity instruments that were granted and that vest before the transition date. As a result of applying this exemption, the Company has applied the provision of IFRS 2 to all outstanding equity instruments that were unvested prior to the date of transition to IFRS.

15. CONVERSION TO IFRS - continued

Estimates

The estimates previously made by the Company under Canadian GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result, the Company has not used hindsight to create or revise estimates.

Changes to accounting policies

The Company has changed certain accounting policies to be consistent with IFRS. The changes to its accounting policies have not resulted in significant changes to the recognition and measurement of assets, liabilities, equity and expenses within its consolidated financial statements.

The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS.

Impairment of non-financial assets

IFRS requires a write down of non-financial assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows or other applicable measures. Canadian GAAP requires a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Company has a policy of reviewing its non-financial assets determine whether there are any indications of impairment. Where there are such indications of impairment, the non-financial assets are written down as appropriate.

Decommissioning liabilities (Asset Retirement Obligations ("AROs"))

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

While the Company does not currently have any AROs, the Company's accounting policy related to decommissioning liabilities has been changed to reflect these changes.

Presentation difference

Mineral properties as reported under Canadian GAAP have been classified into exploration and evaluation assets under IFRS. There was no impact on the statement of comprehensive income (loss).

Functional currency

The Company has assessed the functional currency of the Company and its subsidiaries under IAS 21 – The Effects of Changes in Foreign Exchange Rates and concluded that the functional currency of the Company is the Canadian dollar and the functional currency of its subsidiaries is the US dollar. As the reporting currency remains the US dollar, the foreign exchange translation differences of the Company will be recorded in other comprehensive income. On the date of transition to IFRS, the Company has elected to reset the cumulative foreign currency translation difference arising from the translation of foreign operations to zero.

15. CONVERSION TO IFRS - continued

Changes to accounting policies - continued

Non-IFRS reclassification

Concurrent with the work performed for the transition to IFRS, the Company took the opportunity to consider its financial disclosures and decided to make additional reclassifications. While these are not as a direct result of the IFRS transition, the Company has identified such reclassifications in order to assist the reader in making comparisons with historic financial information which has previously been published.

Reconciliation of IFRS and Canadian GAAP

The Company's adoption of IFRS had no impact on the consolidated statements of comprehensive earnings (loss) or cash flows. The impact on the consolidated statement of financial position at December 31, 2010 and January 1, 2010 is summarized as follows:

The January 1, 2010 pre-changeover Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets			
Current assets			
Cash and cash equivalents	$ 360,438	-	$ 360,438
Short term investments	4,770,013	-	4,770,013
Receivables	26,441	-	26,441
Due from director	32,805	-	32,805
Due from related party	3,068	-	3,068
Prepaid expenses	18,557	-	18,557
Total Current Assets	5,208,254	-	5,211,322
Exploration and evaluation assets	17,560,696	(30,196)	17,530,500
Property and equipment	21,503	30,196	51,699
Total Assets	$ 22,790,453	$ -	$ 22,793,521
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	$ 814,071	-	$ 814,071
Shareholders' Equity			
Share capital	29,356,842	-	29,356,842
Share based payments	4,285,268	-	4,285,268
Accumulated other comprehensive income	59,000	-	59,000
Accumulated deficit	(11,721,660)	-	(11,721,660)
Total Shareholders' Equity	21,979,450	-	21,979,450
Total Liabilities and Shareholders' Equity	$ 22,793,521	$ -	$ 22,793,521

15. CONVERSION TO IFRS - continued

Reconciliation of IFRS and Canadian GAAP - continued

The change in exploration and evaluation assets and property and equipment represents the reallocation of tangible assets used for exploration activities from exploration and evaluation assets to property and equipment.

The December 31, 2010 pre-changeover Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets			
Current assets			
Cash and cash equivalents	$ 11,583,838	-	$ 11,583,838
Receivables	106,606	-	106,606
Due from related party	65,466	-	65,466
Prepaid expenses	93,061	-	93,061
Total Current Assets	11,848,971	-	11,848,971
Exploration and evaluation assets	20,856,241	(111,020)	20,745,221
Property and equipment	21,214	111,020	132,234
Total Assets	$ 32,726,426	$ -	$ 32,726,426
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	$ 1,190,090	-	$ 1,190,090
Shareholders' Equity			
Share capital	40,474,869	-	40,474,869
Share based payments	5,745,440	-	5,745,440
Accumulated other comprehensive income	-	994,576	994,576
Accumulated deficit	(14,683,973)	(994,576)	(15,678,549)
Total Shareholders' Equity	31,536,336	-	31,536,336
Total Liabilities and Shareholders' equity	$ 32,726,426	$ -	$ 32,726,426

The adjustment to exploration and evaluation assets and property and equipment represents the reallocation of tangible assets used for exploration activities from exploration and evaluation assets to property and equipment.

The adjustment to accumulated other comprehensive income and accumulated deficit represents the effect of foreign currency translation differences related to the translation of the Company's financial statements from its functional currency to the presentation currency.

15. CONVERSION TO IFRS – continued

Reconciliation of IFRS and Canadian GAAP - continued

The December 31, 2010 pre-changeover Canadian GAAP statement of comprehensive loss has been reconciled to IFRS as follows:

	Canadian GAAP	Effect of Transition to IFRS	IFRS
Interest income	$ 13,901	$ -	$ 13,901
Expenses			
Administrative and general	1,633,180	-	1,633,180
Personnel costs	597,434	-	597,434
Depreciation	11,377	-	11,377
Foreign exchange (gain) loss	(244,516)	994,576	750,060
Share based payments	978,739		978,739
	2,976,214	994,576	3,970,790
Net loss for the year	$ (2,962,313)	$ (994,576)	$ (3,956,889)
Foreign currency translation differences	-	994,576	994,576
Comprehensive loss for the year	$ (2,962,313)	$ -	$ (2,962,313)

16. SUBSEQUENT EVENT

In April 2012, the Company was granted an extension to June 30, 2013 for its Kobada mineral property, allowing the Company to complete its feasibility study. In conjunction with this extension, the Company has entered into an agreement for $2,300,000 to complete the feasibility study.