AFRICAN GOLD GROUP, INC.
Consolidated Financial Statements
For the years ended December 31, 2008 and 2007
(Expressed in U.S. Dollars)

BDO Dunwoody LLP
Chartered Accountants
And Advisors

Royal Bank Plaza
P.O. Box 32
Toronto Ontario Canada M5J 2J8
Telephone: (416) 865-0200
Telefax: (416) 865-0887

Auditors' Report

To the Shareholders of
African Gold Group Inc.

We have audited the consolidated balance sheets of African Gold Group Inc. (the "Company") as at December 31, 2008 and 2007 and the consolidated statements of operations and deficit and cash flows for the periods then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the periods then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Ontario
April 24, 2009

AFRICAN GOLD GROUP, INC.
CONSOLIDATED BALANCE SHEETS
(Expressed in U.S. Dollars)

December 31,	2008	2007
ASSETS		
Current assets		
Cash and cash equivalents	$ 23,618	$ 1,936,285
Short term investments *(note 4)*	-	1,264,260
Receivables	68,686	85,871
Due from director *(note 5)*	24,561	30,224
Exploration contract advances	-	129,119
Prepaid expenses	22,298	59,904
	139,163	3,505,663
Mineral properties and deferred exploration expenditures (*note 6*)	17,377,143	15,662,965
Capital assets *(note 7)*	33,170	59,953
	$ 17,549,476	$ 19,228,581
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities *(notes 8 & 16)*	$ 1,519,588	$ 1,042,279
Non-controlling interest *(note 6)*	-	424
Going concern (*note 1*)		
Shareholders' Equity		
Share capital (*notes 9 (a)(b)*)	23,305,690	23,159,395
Contributed surplus *(note 9 (e))*	3,475,135	2,546,364
Deficit	(10,750,937)	(7,519,881)
	16,029,888	18,185,878
	$ 17,549,476	$ 19,228,581

On behalf of the Board

(signed) Michael J. Nikiforuk Director

(signed) Marco J. Durante Director

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

AFRICAN GOLD GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

(Expressed in U.S. Dollars)

For the years ended December 31,	2008	2007
Revenue	$ -	$ -
Expenses		
Administrative and general	1,680,573	2,048,160
Amortization	30,948	11,336
Foreign exchange gain	(71,874)	(991,218)
Interest income	(14,986)	(66,284)
Stock based compensation	928,771	33,080
Unrecoverable mineral properties and deferred exploration expenditures *(note 6)*	637,500	-
	3,190,932	1,035,074
Loss before under-noted	(3,190,932)	(1,035,074)
Non-controlling interest	-	(118)
Write off of Columbia River Resources *(note 6)*	40,124	-
Net loss for the year	(3,231,056)	(1,034,956)
Deficit, beginning of year	(7,519,881)	(6,484,925)
Deficit, end of year	$ (10,750,937)	$ (7,519,881)
Average weighted shares outstanding	32,406,893	27,731,775
Basic and diluted loss per share *(note 10)*	$ (0.10)	$ (0.04)

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements

AFRICAN GOLD GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in U.S. Dollars)

For the years ended December 31,	2008	2007
Cash flow from operating activities		
Net loss for the year	$ (3,231,056)	$ (1,034,956)
Items not affecting cash -		
Foreign exchange gain	(71,874)	(991,218)
Amortization	30,948	11,336
Stock based compensation	928,771	33,080
Write off of Columbia River Resources	40,124	-
Unrecoverable mineral properties and deferred exploration expenditures	637,500	-
Non-controlling interest	-	(118)
	(1,665,587)	(1,981,876)
Changes in non-cash working capital		
Receivables and prepaid expenses	54,791	(128,771)
Accounts payable and accrued liabilities	486,872	261,821
	(1,123,924)	(1,848,826)
Cash flow from investing activities		
Purchase of capital assets	(4,165)	(10,000)
Redemption(purchase) of short term investments	1,264,260	(691,552)
Investment in mining properties, net	(2,351,678)	(6,461,982)
Exploration contract advances	129,119	180,881
	(962,464)	(6,982,653)
Cash flow from financing activities		
Net cash proceeds from issue of common shares	146,295	9,415,461
Exercise of warrants	-	114,033
	146,295	9,529,494
Effect of foreign currency translation on cash balances	27,426	949,441
Increase (decrease) in cash and cash equivalents	(1,912,667)	1,647,456
Cash and cash equivalents, beginning of year	1,936,285	288,829
Cash and cash equivalents, end of year	$ 23,618	$ 1,936,285
Represented by:		
Cash	$ 23,618	$ 1,035,767
Term deposits	-	900,518
	$ 23,618	$ 1,936,285
Non-cash transaction:		
Issuance of broker warrants	$ -	$ 201,416

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements

1. NATURE OF BUSINESS AND GOING CONCERN

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.

Going concern assumption

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business as a going concern.

The recoverability of the costs incurred to date on mining properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to obtain adequate financing. Changes in future conditions could require material write-downs to the carrying value of the mining properties and deferred exploration expenditures.

2. SIGNIFICANT ACCOUNTING POLICIES

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) and its 68.84% owned subsidiary, Columbia River Resources Inc. ("CRR") (incorporated in Nevada, United States of America) to December 31, 2007 (Note 6). All inter-company accounts and transactions have been eliminated on consolidation.

Changes in Accounting Policies

Effective January 1, 2008, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ('CICA'). The new accounting standards and accounting policy changes are as follows:

a) Capital Disclosures

CICA Handbook Section 1535, "Capital Disclosures", requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and if it has not complied, the consequences of non-compliance. The Company has included the recommended disclosures in note 3 to these consolidated financial statements.

b) Financial Instruments – Disclosure and Presentation

Two new Handbook sections replace Handbook Section 3861, "Financial Instruments – Disclosure and Presentation". CICA Handbook 3862, "Financial Instruments – Disclosure", increases the disclosures to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, "Financial Instruments – Presentation", increases the existing requirements on the presentation of financial instruments. The Company has included the recommended disclosures by the new Handbook section in note 13 to these consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

c) General Standards of Financial Statement Presentation

CICA Handbook Section 1400, "General Standards of Financial Statement Presentation". This revised standard requires management to assess the Company's ability to continue as a going concern and to disclose any material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. The adoption of this revised standard had no impact on the Company's presentation of its financial position.

Mineral Properties and Deferred Exploration Expenditures

Mineral property acquisition costs and related direct exploration and development expenditures, net of recoveries, are deferred until the properties are placed into production. These net costs will be amortized against income using the unit-of-production method based on estimated recoverable reserves if the properties are brought into commercial production, or written off if the properties are sold or abandoned. The cost of mineral properties includes any cash consideration paid on the acquisition of property interests and exploration and development of exploration projects. The recorded amounts of property acquisition costs and their related deferred exploration costs represent actual expenditures incurred and are not intended to reflect present or future values.

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

The Company monitors events and changes in circumstances which may require an assessment of the recoverability of its long lived assets. If required, the Company would assess recoverability using estimated undiscounted future operating cash flows. If the carrying amount of an asset is not recoverable, an impairment loss is recognized in operations, measured by comparing the carrying amount of the asset to its fair value.

Cash and Cash Equivalents

Cash and cash equivalents include cash and deposits with original maturities of three months or less.

Capital Assets

Capital assets are recorded at cost. Amortization based on the estimated useful life of the asset is provided as follows:

Computers	-	30% diminishing balance
Furniture & fixtures	-	10% straight line
Truck	-	20% straight line

Income taxes

The Company accounts for income taxes using the asset and liability method of accounting. Under this method future income tax assets and future income tax liabilities are recorded based on temporary differences between the financial reporting basis of the Company's assets and liabilities and their corresponding tax basis. The future benefits of income tax assets, including unused tax losses, are recognized subject to a valuation allowance to the extent that it is more likely than not that such losses will be ultimately utilized. These future income tax assets and liabilities are measured using substantively enacted tax rates and laws that are expected to apply when the tax assets or liabilities are to be settled or realized.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Stock-based Compensation

The Company has a stock-based compensation plan as disclosed in *note 9(c)*. The Company uses the fair value-based method of accounting for stock-based compensation arrangements granted to directors, officers and employees. The fair value of each option granted is accounted for in operations over the vesting period of the option using the Black-Scholes options pricing model at the date of grant, with the related increase to contributed surplus Compensation expense on stock-based compensation granted to non-employees is measured at the earlier of the completion of performance and the date the options are vested using the fair value method and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received Any consideration received by the Company on exercise of stock options is credited to share capital.

Comprehensive Income

Comprehensive income includes net earnings and other comprehensive income. 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 self-sustaining foreign operations. As at December 31, 2008 and 2007, the Company has no items that represent comprehensive income, and therefore, has not included a schedule of comprehensive income in these consolidated financial statements.

Foreign Currency Translation

The Company's functional and reporting currency is the U.S. dollar. Transactions and balances denominated in Canadian dollars are translated into U.S. dollars as follows:

At the transaction date, each asset, liability, revenue and expense is translated into U.S. dollars by the use of exchange rate in effect at that date. At the period end date, monetary assets and liabilities are translated into U.S. dollars by using the exchange rate in effect at that date. Exchange gains and losses arising from these transactions are reflected in income or expense in the period.

Integrated foreign subsidiaries are accounted for under the temporal method. Under this method, monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities are translated at the historical rates. Revenue and expenses are translated at average rates for the year. Exchange gains or losses are reflected in the statement of operations.

Financial Instruments – recognition and measurement

The Company has designated its cash as held-for-trading, which is measured at fair value. Changes in fair value are recognized in net income for the period. Short-term investments are classified as available for sale which are measured at fair value. Unrealized changes in fair value are recorded in other comprehensive income except for losses in value that are considered other than temporary. Receivables and the amount due from director have been classified as loans and receivables and are measured at amortized cost using the effective interest rate method. Other financial instruments being accounts payable and accrued liabilities are also measured at amortized cost using the effective interest rate method.

Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. Diluted loss per share is computed using the treasury stock method by dividing the net loss by the sum of the weighted average number of common shares outstanding and all additional shares that would have been outstanding if potentially dilutive shares had been issued during the year.

Joint Venture

A portion of the Company’s exploration activity is conducted jointly with others whereby AGG enters into agreements that provide for specific percentage interests in mining properties. Joint venture accounting, which reflects the Company’s proportionate interest in mining properties is applied by the Company only when commercial feasibility is established and the parties enter into formal agreements for ownership and mining participation terms.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates used in the preparation of these financial statements include, but are not limited to the estimated net realizable value of the mineral properties and deferred exploration expenditures, the provision for income taxes and composition of future income tax assets and liabilities, the valuation of assets acquired and related shares issued in non-monetary transactions and the values determined for stock-based compensation using the Black-Scholes option pricing model.

Recent Accounting Pronouncements

Goodwill and Intangible Assets

In October 2007, the CICA Handbook Section 3064, "Goodwill and Intangible Assets" replaces the existing Handbook Sections 3062, "Goodwill and Other Intangible Assets" and 3450, "Research and Development Costs". This standard is effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2008. The standard provides guidance on the recognition, measurement and disclosures of goodwill and intangible assets. Canada's Accounting Standards Board (AcSB) also made an amendment to Section 1000, "Financial Statement Concepts" to delete guidance previously interpreted to support the appropriateness of deferral of costs. In the past, expenses would be deferred on the basis of the matching principle. Going forward, expenses can only be capitalized if they meet the definition of an asset or the criteria for recognition. This amended standard is effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2008. AGG is currently assessing the impact of this new accounting standard on its consolidated financial statements.

International Financial Reporting Standards ("IFRS")

In 2008, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian GAAP, as used by public companies, being converged with International Financial Reporting Standards over a transitional period currently expected to end in 2011. The Company will be required to report using the converged standards effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. AGG is monitoring the impact of this transition on the consolidated financial statements.

Business Combinations

In December 2008, the CICA Section 1582, "Business Combinations" replaces Section 1581. This standard is effective for business combinations for which the acquisition date is on or after the Company's interim and fiscal year beginning January 1, 2011. Early adoption is permitted. This section improves the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects. AGG is currently assessing the impact of this new accounting standard on its consolidated financial statements.

Consolidated Financial Statements and Non-Controlling Interests

In December 2008, the CICA Section 1601, "Consolidated financial statements" and CICA Section 1602, "Non-Controlling interests" replaced Section 1600. These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after January 1, 2011. Early adoption is permitted. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. AGG is currently assessing the impact of these new accounting standards on its consolidated financial statements.

3. 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, 2008. AGG is not subject to externally imposed capital requirements.

4. SHORT TERM INVESTMENTS

Short Term Investments are comprised of term deposits with effective interest rates of 4.1% which matured on August 25, 2008.

5. DUE FROM DIRECTOR

The balance due from the director is non-interest bearing, unsecured with no specific repayment terms.

6. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

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 has determined that consolidation is no longer appropriate and has written off the investment.

6. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES - continued

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

On October 23, 2008, the Company signed an Option Agreement with Newmont Ghana Ltd, a subsidiary of Newmont Mining Corporation to earn up to 70% interest in the Mankranho property by spending $8,000,000 on Mankranho exploration.

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 are required to be made over a period of 5 years or until production commences. The remaining required payment is $ 40,000 on or before April 1, 2009 which was satisfied subsequent to year end.

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 one additional payment remaining being $ 15,000 on or before April 30, 2009.

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.

6. **MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES - 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.

The Company paid a signing fee of $100,000 as per terms of the agreement with the remaining payments as follows:

$ 50,000 on or before September 12, 2009
$ 50,000 on or before September 12, 2010
$ 50,000 on or before September 12, 2011
$ 100,000 on or before September 12, 2012

$25,000 was paid in the year; the remaining $25,000 of the commitment due on September 12, 2008 was paid subsequent to year end.

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.

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.

On November 15, 2007, the Company entered into a joint venture agreement with Rangold Resources Ltd (“Rangold”) to explore the Bagoe East and West concessions in Mali, West Africa. Rangold shall solely fund exploration costs up to and including completion of a pre-feasibility study. On completion of the pre-feasibility study, Rangold shall acquire a 51% participation interest in the joint venture. Following the completion of the pre-feasibility study, Rangold can elect to solely fund all further exploration costs up to and including completion of a bankable feasibility study to earn a 65% interest in the joint venture after which each party will participate in all further exploration of the concessions pro rata with respect to the participation interests. In the 4th quarter of 2008, AGG was notified by Rangold that it would be opting out of the joint venture agreement and discontinue any further exploration activity on the Bagoe sites. The Company has no intention of pursuing any project in this area and as such all costs relating to these two concessions being $637,500 have been expensed.

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.

(Expressed in U.S. Dollars)

6. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES - continued

The following is a summary of the carrying amount of the mineral properties as at December 31:

	2008	2007
Ayaco License	$ 3,728,485	$ 3,703,176
Twedee License	197,314	191,778
Moseaso License	1,361,043	1,191,020
Nyamkumasi Concession	972,696	908,313
Tropical License	1,090,989	520,299
Manso Atwere License	1,091,302	164,107
Mali Concessions	8,935,314	8,984,272
	$ 17,377,143	$ 15,662,965

7. CAPITAL ASSETS

2008

	Cost	Accumulated Amortization	Net Book Value 2008
Computer equipment	$ 10,554	$ 9,277	$ 1,277
Truck	22,638	15,149	7,489
Furniture and fixtures	63,293	38,889	24,404
	$ 96,485	$ 63,315	$ 33,170

2007

	Cost	Accumulated Amortization	Net Book Value 2007
Computer equipment	$ 10,554	$ 8,465	$ 2,089
Truck	22,638	11,317	11,321
Furniture and fixtures	59,128	12,585	46,543
	$ 92,320	$ 32,367	$ 59,953

(Expressed in U.S. Dollars)

8. RELATED PARTY TRANSACTONS

a) The Company incurred project management fees of $Nil (2007 -$115,284) to CME, a company that is wholly-owned by a director of the Company. Unpaid management fees of $16,312 (December 31, 2007 - $16,312) have been included in accounts payable and accrued liabilities. The director resigned from AGG in July 2008.

The Company also incurred consulting fees of $Nil (2007 - $45,592) to CME. Included in accounts payable and accrued liabilities are $64,240 (2007 - $68,469) related to such services.

Advances to CME were made in accordance with the Project Management Agreement ("Agreement"). Pursuant to the terms of the Agreement, the Company appointed CME as project manager for its mineral properties. The Agreement contained terms as to how the parties to the Agreement shall act and provides for the payment of fees and expenditures plus an administrative fee of 15% of the expenditures incurred. On June 28, 2006, the Company terminated the Agreement. Included in accounts payable and accrued liabilities is an amount of $211,322 (2007 - $211,322) owing to CME.

b) Legal fees of $69,923 (2007 - $137,988) were incurred to a legal firm in which one of the partners is a director of the Company. Unpaid legal fees of $60,590 (2007 - $1,187) are included in accounts payable and accrued liabilities.

c) Included in accounts payable and accrued liabilities is $72,621 (2007 - $Nil) of advances from a party related through common directors. The amount is non-interest bearing, unsecured with no specific terms of repayment.

These transactions were in the normal course of business and have been recorded at the exchange amount.

9. SHARE CAPITAL

a) Shares authorized

The Company is authorized to issue an unlimited number of common shares.

b) Common shares issued and outstanding

	Number of Common Shares	Amount
Balances, December 31, 2006	23,181,059	$ 13,775,915
Private placement (i)	9,034,309	10,299,041
Exercise of warrant	89,000	169,435
Cost of issue		(883,580)
Underwriter's Compensation Warrants		(201,416)
Balances, December 31, 2007	32,304,368	23,159,395
Private placement (ii)	322,600	146,295
Balances, December 31, 2008	32,626,968	$ 23,305,690

(i) Private Placements – March, August and October 2007

On March 13, 2007, the Company closed a brokered private placement of 2,542,000 units at CDN$1.75 per unit for gross proceeds of CDN$4,448,500. Each unit consists of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at CDN $2.25 per share for a period of two years. In connection with the private placement, the Company paid CDN$527,509 in commission and other related issuance costs, and issued 165,230 broker warrants to acquire common shares. Each broker's warrant is exercisable at CDN$1.75 to acquire a common share of the Company for two years from the closing of the offering.

9. SHARE CAPITAL - continued

The value attributed to the broker warrants was $97,317 using the Black Scholes Option Pricing model. Significant assumptions used were as follows: dividend yield of 0%, expected volatility of 65%, risk free interest of 4% and an expected life of 2 years.

On August 10, 2007, the Company closed a brokered private placement of 5,992,309 units at CDN$1.05 per unit for gross proceeds of CDN$6,291,925. 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 at $1.50 per share for a period of eighteen months. The common shares issued under the private placement were subject to a four month hold period ending December 11, 2007. In connection with the private placement, the Company paid CDN $404,514 in commission and other related issuance costs, and issued 491,850 broker warrants to acquire common shares. Each broker's warrant is exercisable at CDN$1.05 to acquire a common share of the Company for eighteen months from the closing of the offering.

The value attributed to the broker warrants was $85,481 using the Black Scholes Option Pricing model. Significant assumptions used were as follows: dividend yield of 0%, expected volatility of 58%, risk free interest of 4% and an expected life of 1.5 years.

On October 15, 2007, the Company closed a non-brokered private placement of 500,000 units at CDN$1.05 per unit for gross proceeds of CDN$525,000. Each unit consists of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at CDN$1.50 for a period of 18 months. The Company issued 50,000 underwriter’s compensation warrants and paid a finder’s fee of CDN$26,250. Each underwriter compensation warrant entitles the holder to acquire one common share at CDN$1.05 per share for a period of eighteen months.

The value attributed to the broker warrants was $18,618 using the Black Scholes Option Pricing model. Significant assumptions used were as follows: dividend yield of 0%, expected volatility of 55%, risk free interest of 4% and an expected life of 1.5 years.

(ii) Private Placement - September 2008

On September 5 2008, the Company closed a non-brokered private placement of 322,600 units at CDN$0.50 per unit for gross proceeds of CDN$161,300 Each unit consists of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at CDN$0.75 for a period of 18 months.

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 common shares equal to 10% of the total issued and outstanding common shares of the Company. These options are non-transferable 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.

(Expressed in U.S. Dollars)

9. **SHARE CAPITAL - continued**

On February 1, 2008 and March 10, 2008, the Company approved the issuance of 1,500,000 stock options to directors, officers and consultants. The stock options can be exercised at a price of $1.20 with 250,000 of the options expiring February 1, 2010 and 1,250,000 of the options expiring on March 10, 2013. The average fair value attributed to the stock options granted was $928,771 using the Black-Scholes model for pricing options. The following assumptions were used: dividend yield 0%, expected volatility of 58-68%, risk-free interest rate of 2.63% and an expected life of 2-5 years.

As at December 31, 2008, the Company had stock options outstanding as follows:

Date of Grant	Stock Options (#)	Exercise Price (CDN.$)	Expiry Date
March 12, 2004	625,000	2.56	March 12, 2009
August 16, 2004	150,000	2.00	July 19, 2009
September 30, 2004	125,000	2.00	September 30, 2009
December 9, 2005	450,000	2.00	December 9, 2010
February 1, 2008	250,000	1.20	February 1, 2010
March 10, 2008	1,200,000	1.20	March 10, 2013
	2,800,000		

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

	Share Purchase Options	Weighted Average Exercise Price (CDN$)
Outstanding – December 31, 2006 and 2007	1,775,000	2.24
Granted	1,500,000	1.20
Expired	(475,000)	1.89
Outstanding – December 31, 2008	2,800,000	1.71
Exercisable – December 31, 2008	2,737,500	1.71

Subsequent to year end, 625,000 options expired. As disclosed in note 16, the Company issued 3,050,000 of options on April 1, 2009.

d) Warrants

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

Outstanding - December 31, 2006	358,450
Exercised	(89,000)
Issued with March 2007 Private Placement	1,271,000
Issued with August 2007 Private Placement	2,996,155
Issued with October 2007 Private Placement	250,000
Underwriter's Compensation warrants issued	707,080
Outstanding – December 31, 2007	5,493,685
Issued with September 2008 Private Placement	161,300
Expired	(269,450)
Outstanding – December 31, 2008	**5,385,535**

(Expressed in U.S. Dollars)

9. SHARE CAPITAL - continued

On March 13, 2007, the Company issued 1,271,000 common share purchase warrants exercisable at CDN$2.25 per common share with a term of two years and 165,230 underwriter's compensation warrants, exercisable at CDN$1.75 per common share with a term of two years.

On August 10, 2007, the Company issued 2,996,155 common share purchase warrants exercisable at CDN$1.50 per common share with a term of eighteen months and 491,850 underwriter's compensation warrants, exercisable at CDN$1.05 per common share with a term of eighteen months.

On October 15, 2007, the Company issued 250,000 common share purchase warrants exercisable at CDN$1.50 per common share with a term of eighteen months and 50,000 underwriter's compensation warrants, exercisable at CDN$1.05 per common share with a term of eighteen months.

During the second quarter of 2007, 89,000 underwriter compensation warrants were exercised for cash consideration of CDN$124,600.

On September 5, 2008, the Company issued 161,300 common share purchase warrants exercisable at CDN$0.75 per common share with a term of eighteen months

The warrants, exercise price and expiry date and warrants outstanding at December 31, 2008 are as follows:

Warrants	Exercise Price CDN($)	Expiry Date
1,271,000	2.25	March 13, 2009
165,230	1.75	March 13, 2009
2,996,155	1.50	February 10, 2009
491,850	1.05	February 10, 2009
250,000	1.50	April 15, 2009
50,000	1.05	April 15, 2009
161,300	0.75	March 5, 2010
5,385,535	1.62 (Weighted Average)	

Subsequent to year end, 5,224,235 warrants expired.

e) Contributed surplus

	2008	2007
Opening balance	$ 2,546,364	$2,367,270
Options granted	928,771	-
Stock based compensation	-	33,080
Compensation warrants granted	-	201,416
Compensation warrants exercised	-	(55,402)
Closing balance	$ 3,475,135	$2,546,364

10. 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 2008 and 2007 periods presented, the conversion of warrants and stock options was not included in the calculation because the calculation would be anti-dilutive.

(Expressed in U.S. Dollars)

11. INCOME TAXES

a) *Provision for Income Taxes - Current*

The difference between the actual income tax recovery and the expected Canadian statutory corporate income tax recovery relates to losses not recognized. The following table summarizes the difference from the Canadian statutory rate of approximately 33.50% (2007 – 36.12%), the primary area of taxable income for the entity, to the Company's current tax provision recorded.

	2008	2007
Net loss for the year before non controlling interest and provision for income taxes	$ (3,231,056)	$ (1,035,074)
Expected income recovery at statutory rates	(1,082,404)	(373,869)
Adjustments resulting from:		
Permanent differences and expiring non capital items	357,669	(298,110)
Foreign currency differences	34,670	9,932
Differences in tax rates	(475,280)	592,724
Other	81,939	(58,035)
Increase in valuation allowance with respect to current year tax loss	1,083,406	127,358
Provision for income taxes - current	$ -	$ -

b) *Future Income Tax Assets*

	2008	2007
Capital assets	$ 15,597	$ 11,392
Share issuance costs	200,155	328,411
Non capital losses	3,119,961	2,570,366
Foreign exchange	131,245	(526,617)
	3,466,958	2,383,552
Valuation allowance	(3,466,958)	(2,383,552)
Future income tax assets	$ -	$ -

The Company has provided a full valuation allowance against future tax assets as at December 31, 2008 and 2007 due to uncertainties in the Company's ability to utilize its net operating losses.

(Expressed in U.S. Dollars)

11. INCOME TAXES - continued

c) *Tax Loss Carry-Forwards*

At December 31, 2008, the Company had approximately $11,762,000 of non-capital losses carried forward available to reduce future taxable income. Any non-capital losses that may be unutilized to reduce taxable income in future years expire at the end of the following years:

2009	$ 211,000
2013	247,000
2014	1,390,000
2015	1,822,000
2026	1,572,000
2027	2,006,000
2028	1,090,000
No expiry	3,424,000
	$ 11,762,000

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 capital assets and mineral property costs is as follows

	2008	2007
Canada	$ 3,045	$ 3,857
Ghana	8,471,954	6,734,789
Mali	8,935,314	8,984,272
	$ 17,410,313	$ 15,722,918

13. FINANCIAL RISK FACTORS

Fair Value of Financial Instruments
At December 31, 2008, the balance sheet carrying amounts for cash and cash equivalents, receivables and accounts payable and accrued liabilities approximate fair value due to their short term nature.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk
The Company has a concentration of credit risk on its short term investments. These investments consist of term deposits which have been invested with reputable financial institutions from which management believes the risk of loss is remote. The Company has no significant concentration of credit risk arising from operations.

Liquidity risk
The Company's approach to managing liquidity risk is to ensure that sufficient funds are available to meet its liabilities as they become due. At December 31, 2008, AGG had a cash balance of $23,618 and current liabilities of $1,519,588. Due to significant cash flow shortages, the Company is satisfying its obligations through short term financing in anticipation of completing a private placement or other significant transactions that will inject capital into the business. As indicated in note 16, subsequent to year end financing was made available through a private placement to satisfy current obligations. Further the Company settled with some of its creditors to reduce the payables owing.

Foreign Exchange risk
Given the global nature of the company's business, AGG's operating businesses and financial reporting results and cash flows are exposed to risks associated with foreign currency fluctuations. Currently, AGG does not hedge its foreign exchange risk.

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.

Sensitivity Analysis

Based on management's knowledge and expertise of the financial markets, the Company believes that the following movements are "reasonably possible" over a three month period:

(i) Commodity price risk is remote as the Company is not a producing entity,
(ii) 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 in this time frame.

For 2008, 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, net loss would have decreased or increased by approximately $78,000. Included in cash and cash equivalents is $6,277, receivables is $57,352, due from director is $24,253 and accounts payable and accrued liabilities is $492,428 denominated in Canadian dollars. The Company has chosen not to hedge these foreign currency balances.

14. COMMITMENTS

See note 6 for additional commitments and option payments on mineral properties.

Under the terms of an agreement for the Company's premises, it is obligated to pay a monthly rent of $3,100 plus its proportionate share of common area expenses. The agreement expires November 30, 2009.

15. 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. Should this claim by the plaintiff be upheld the Company would be required to pay a sum of $15,000. This is not considered likely and therefore the amount has not been accrued in the consolidated financial statements.

16. SUBSEQUENT EVENTS

On January 30, 2009, AGG closed a non-brokered private placement of 26,621,000 units at $0.05 per unit for gross proceeds of CDN$1,331,050.00. Each Unit is comprised of one common share of the Company and one warrant of the Company. Each warrant entitles the holder to purchase one additional common share of the Company for a period of 24 months at an exercise price of: (i) CDN$0.10 per common share for the first 6 months from the date of closing; and (ii) CDN$0.15 per common share thereafter until the expiry date.

On April 1, 2009, AGG granted 3,050,000 stock options to certain employees, directors and consultants of the company at an exercise price of CDN$0.10 per common share for a period of 5 years from the date of issue.

In January and February 2009, the Company renegotiated its outstanding obligations with several of its key suppliers. As a result of this renegotiation, the suppliers agreed to forgive approximately $400,000 of debt, the reduction of which is not reflected in the December 31, 2008 accounts payable and accrued liabilities balance. This forgiveness of debt will be reflected in the Statement of Operations and Deficit in 2009.