European Gold Centre

reliable information on gold and the Canadian gold mining and exploration industry

Introduction Report

African Gold Group, Inc.

July 2004

stock price July 22: c$ 1.85
TSXV–AGG
shares issued: 19.9 mio
fully diluted: 22.7 mio

GHANA: THE LAND OF GOLD WHERE MINING IS PART OF THE CULTURE

Ghana was formed from the merger of the British colony of the Gold Coast and the Togoland trust territory, thus, in 1957, becoming the first country in colonial Africa to gain its independence. Very well endowed with natural reserves, the country, with 20.5 million inhabitants, enjoys roughly twice the per capita output of the poorer countries in West Africa. Gold, timber and cocoa production are major sources of foreign exchange. Ghana calls itself the 'Land of Gold' pointing to its long history of gold production. After South Africa, Ghana is Africa's second largest gold producing country. Since 1998, Ghana is 10th largest gold producer in the world. Over the last century, over 55 million ounces of gold have been mined. whereas defined gold reserves and resources are estimated at well over 100 million ounces.

The mining industry is recognized as the key sector of the country, contributing around 40% of the country's gross export earnings.
Ghana's stable, established, democratic system has attracted future commitments in the mining industry of over US$3.0 billion by three of the world's most senior gold producers, AngloGold Ashanti, Gold Fields and Newmont Mining.
Newmont Mining has budgeted to spend $595m on Ahafo & Akyem alone in the coming years and has declared the Ahafo their next core operating district.

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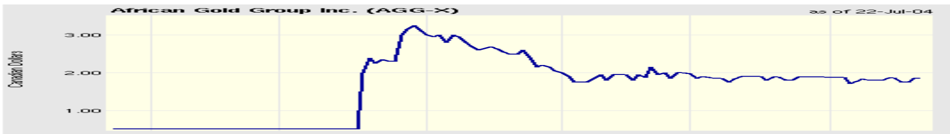
LONGTIME EXPERIENCE, EXPERTISE, KNOWLEDGE AND UNDERSTANDING PROVIDES THE EDGE

Although the Canadian mining and exploration industry has been established for so many years, it certainly has not turned into an old and sleepy establishment. On the contrary, things keep moving. People change their position and environment regularly, projects are acquired and abandoned, bought and sold among the companies, joint-ventures are made and ended and companies grow and develop. But the industry also maintains a young spirit because there is a new round of activity every time the metals markets shows higher prices. As in the last two years, when better times brought pleasure back into mining. Existing companies revived and many new companies were founded. Created and handmade, quite often by experienced mining executives who became attracted to the future potential of the industry and to each other to join forces to participate in the future benefits of that potential. Exactly in that manner and atmosphere, African Gold Group, Inc. was founded by four mining professionals. They had the know-how, they had a goal, they set their target, they made their choice, they found the good projects, they had the spirit and courage to do it and since March of this year, the shares of the new company have been trading on the TSXV. In April, they financed the company with a $10 million bought-deal placement with Sprott Securities which will fund all the planned programs. Quite a start!



Looking at the properties of African Gold Group, I recognize the importance of the specialized expertise of Greg Hawkins, one of the founders and Directors of the company. He has been living and working in Ghana since eleven years and he has seen all the developments in Ghana from nearby. Thus, he has made sure that the company acquired the best of strategically located possibilities in both the Sefwi Gold Belt and the Asankrangwa Gold Belt.
I think especially the Mankranho license represents an excellent opportunity. My reasoning is the following. Whereas the new giant AngloGold Ashanti and Gold Fields show impressive reserves in the Ashanti Gold Belt with respectively 45 million ounces at the Obuasi deposit and 37 million ounces at the Tarkwa deposit, Newmont Mining's resource in the newly emerging Sefwi Gold Belt currently stands at 7.63 million ounces at the Ahafo property. Newmont is a relative newcomer in Ghana but has announced the Ahafo project as their next core operating district. They want and need to grow, as a large major mining company they require size. African Gold Group's Mankranho property, directly bordering to the north of the Ahafo project, is the only known mineralized property along strike on the Sefwi belt that Newmont does not own. Hence, to me it seems a matter of common sense that, if African Gold Group succeeds in proving up significant gold ore structures, Newmont could be knocking at the door some day.
African Gold Group has high quality strategically positioned gold exploration properties that have the potential to build significant value for their shareholders. This is the focus of management. The results of the first phase of the extensive exploration programs are very encouraging. I wish I could look into the future.

Henk J. Krasenberg

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In the latter half of the nineties Ghana embarked upon a program of privatization and divestiture, selling state-owned enterprises and government parastatals. Plans were has recently announced to privatize the energy sector, however delays continue with this particular divestiture program.

The economy had a mixed performance until 2002. Since then however, the country has enjoyed improved terms of trade with higher gold and cocoa prices and improvements were made in the areas of tax administration, financial sector reform, the move to full cost recovery for electricity and water and governance.

The government has developed favorable policies towards the mining sector and encouraged direct foreign investment. This has resulted in a resurgence of international interest in the mining industry of Ghana, particularly in the gold sector.

According to Goldfields Mineral Services, Ghana ranked tenth in world gold output in 2001 and 2002. Annual production was 72t (2.3 million oz) and 70t respectively. Production has more than doubled in the last decade.

Notable mine development successes by Australian companies have been Resolute (at Obotan +130,000 oz/year), Ranger (at Abosso-Damang +250,000 oz/year) and Golden Shamrock (now part of AngloGold Ashanti). After the $1.3 billion amalgamation consummated earlier in 2004, AngloGold Ashanti has become not only the country's but also the continent's largest gold producing operation with the Obuasi (+820,000 oz/year), a mine which has been in operation for over 100 years and which still has remaining resources in excess of 45 million ounces. Right next comes Gold Fields with the Tarkwa (+540,000 oz/year) and the Damang (299,000 oz/year).

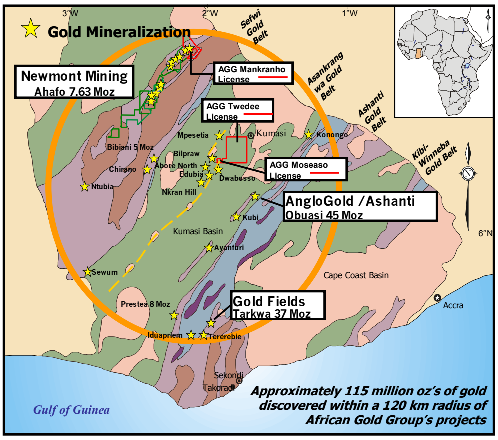
Next to gold, other principal minerals of Ghana are diamonds, bauxite, manganese, salt and industrial minerals.

Given the success that has been achieved in Ghana in recent years, it is not surprising that the international mining industry and financial markets consider Ghana to be an attractive and politically safe destination for mining investment.

AFRICAN GOLD GROUP'S PROJECTS STRATEGICALLY LOCATED AND GEOLOGICALLY PROSPECTIVE

Within a 120 km radius of African Gold Group's properties, approximately 115 million ounces of gold have been discovered in the last century, of which around 50 million ounces have been mined to date. Capital expenditures of $3 billion have been announced by three of the world's major gold companies, AngloGold, Newmont and Gold Fields, all active in the Sefwi and Asankrangwa Gold Belts. Newmont Mining has budgeted to spend $350 million on the Ahafo in the Sefwi belt, with production expected to commence in the second half of 2006. Based on its recently updated Feasibility Study, the Ahafo project will generate steady-state annual gold sales of approximately 500,000 ounces at a cash cost of US$185 per ounce, with higher production in the initial years.

African Gold Group Inc. (TSXV-AGG) is earning 85% of the 108 sq.km Mankranho concession, located at the northern end of the **Sefwi Gold Belt**, along strike and contiguous to Newmont Mining's Ahafo gold project. On the Mankranho, previous work has identified a gold anomaly of 8 km in length and up to 0.7 km in width, which structure remains open along strike. Since last May, a 10,000 metre diamond drilling program is underway as part of the Phase I exploration program. To date, over 3,000 metres of diamond drilling, 151 km of grid establishment, 4,193 soil samples, 109 pit and trench samples and 70 km of ground magnetic surveys have been completed. This initial drilling has intersected mineralization within shear zones, quartz vein 'swarms' and alteration zones. Also, a banded iron formation, a significant geological environment associated with gold deposits worldwide, has been intersected. Management believes that this is the first time that such a system has been recognized in Ghana. Drill core samples of the first 12 holes are to be sent to Canada for analysis due to significant backlog experienced at the laboratory in Ghana. Assay results expected in 4-5 weeks as drilling is continuing.



In the **Asankrangwa Gold Belt**, the company has full title to the Twedee licence, covering 295 sq.km. of the Twedee concession, and an option to acquire the Moseaso License which covers a 9.3 sq.km. area located in close proximity to the Twedee Licence. These concessions combine a strike length of 9 km, located at the northern end of the Asankrangwa gold belt which is situated approximately mid-way between the famous Ashanti gold belt and the rapidly emerging Sefwi gold belt.

Historical exploration works on Twedee have identified the Winiso and the Hiakwasi gold anomalies. Winiso trends north-east over 5.5 km strike length and with an average width of 550 m. Hiakwasi also trends north-east along 2 km strike length and with an average width of 1.2 km. At the Moseaso, previous exploration identified the Birewu and Topey gold mineralization prospects. At the Topey, an open-pittable inferred resource was outlined of 957,000 tonnes at 1.34 g/t gold, using a 1 g/t gold cut-off calculation to a depth of 100 metres.

In March 2004, initial Phase 1 work programs were begun on these properties. Exploration work has to date comprised of 1,770 soil samples, 200 silt samples, 74 pit and trench samples, 100 km of grid establishment, 20 km of ground magnetic surveying and the acquisition of landsat radar aeromag and radiometrics data for the region. In addition, an analyis of a historical exploration database that was established during a previous US$15 million exploration program on the Asankrangwa Gold Belt was completed. This analysis showed significant high-grade intersections at the Moseaso concession, greater than 5 g/t gold. Based on the review of historical data and in conjunction with ongoing data verification and ground work, a Phase I exploration program will be initiated on the Moseaso, consisting of soil sampling, trenching and ground geo-physical work followed by a 3,000 metres diamond drill program. This program is anticipated to commence within approximately 30 days.

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