

## Update Report



# African Gold Group, Inc.

September 2005

share price Sep 1: C\$1.50  
TSXV-AGG  
shares issued: 20.3 mio  
fully diluted: 22.0 mio



### GHANA CONTINUES TO DEVELOP AS THE LAND OF GOLD

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 10<sup>th</sup> largest gold producer in the world. Over the last century, close to 60 million ounces of gold have been mined whereas defined gold reserves and resources are estimated at well over 100 million ounces.

With an output of 57.6 tonnes of gold in 2004, the mining industry is recognized as the key sector of the country, contributing around 40% of gross export earnings.

Ghana's stable, established, democratic system has attracted some of the world's largest gold producers to join the continuous development of its gold resources.

**AngloGold Ashanti** is operating three gold producing mines, the Obuasi mine (255,000 ounces in 2004), the Bibiani mine (105,000 ounces in 2004), and the Iduapriem mine, with partner IFC, (147,000 ounces in 2004).

**Gold Fields** operates the Tarkwa mine (550,000 ounces in 2004) and the Damang mine (308,000 ounces in 2004).

Newer is **Golden Star Resources** with its Wassa mine in production now, bringing production in 2005 to about 220,000 ounces.

--continued on page 2--

## SUCCESSFUL EXPLORATION IN GHANA (friendly relations with Newmont) NOW ALSO ACTIVE IN MALI

"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 ....

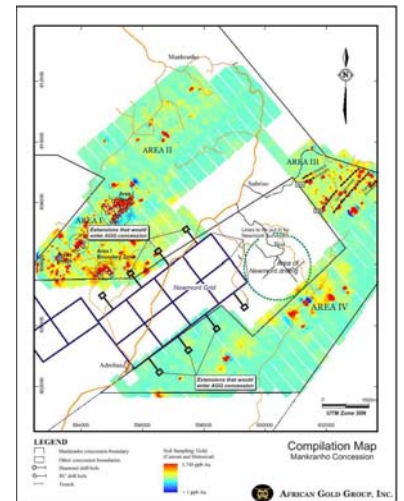
.....if African Gold Group succeeds in proving up significant gold ore structures, Newmont could be knocking at the door some day."

One year ago, I ended my personal introduction of African Gold Group ("AGG") with the words 'I wish I could look into the future', eager as I was to see the continuation of the results that the company achieved in the first phase of the extensive exploration program at its **Mankranho property in Ghana**. I also said that because this property is very strategically located, i.e. directly bordering of the Ahafo project which is the focus of Newmont's gold search in this country. Refreshing your memory, African Gold Group's Mankranho property is the only known mineralized property along strike **on the Sefwi gold belt** that Newmont does not own. That is why I wrote to me in that Introduction Report '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.' And they recently did!

In a letter dated May 30, 2005, the Ghanaian subsidiary of Newmont Mining Corporation has formally requested permission to enter Area I and Area IV of AGG's Mankranho concession for the sole purpose of placing current electrodes on the Mankranho ground, that will facilitate conducting an IP geophysical survey of Newmont's tenements between Adrobaa and Bisi. AGG has granted Newmont the permission and requested that if the survey results in geophysical data relating to its Mankranho concession, Newmont will share this data with

AGG. Moreover, Newmont Ghana Gold invited AGG geologists to visit its Ahafo offices in order to examine a variety of geological data that Newmont has compiled as a result of its ongoing exploration programs at Ahafo.

**These actions are confirming my thinking that sooner or later, Newmont will come and show its interest in (at least) the Mankranho gold property.** And, not surprisingly, the African Gold Group's management expressed to be 'encouraged with the level of exploration activity that continues within proximity of its concession borders'. In the meantime, AGG is awaiting the composite data generated from its own exploration activities which included



--continued--

## GHANA CONTINUES TO DEVELOP AS THE LAND OF GOLD

--continued--

**Newmont Mining**, the world's largest gold producer with significant assets or operations on 5 continents, has two projects under development in Ghana. It concentrates its activities on the Ahafo project, located in the Brong-Ahafo region of western Ghana about 300 km northwest of the capital city of Accra, and the Akyem project, located in the Birim North District in the eastern region of Ghana about 129 km northwest of Accra. **Newmont describes the Ahafo and Akyem as 'pipeline projects'; it has declared the Ahafo their next core operating district.**

The Ahafo project, located on the Sefwi gold belt in Ghana, West Africa, represents Newmont's biggest development project in the world. To date, more than 10 ore bodies have been identified and testing for underground potential is underway. Current reserves at Ahafo are stated at 10.6 million ounces. **A US\$425 million milling facility is under construction with production of approximately 525,000 ounces per annum scheduled for Q3 2006**, at a total cash cost/oz of \$200. Newmont's engineering studies continue to focus on maximizing returns and optimizing mine life, including the evaluation of constructing a second milling facility that would process reserves located in the northern segment of Ahafo.

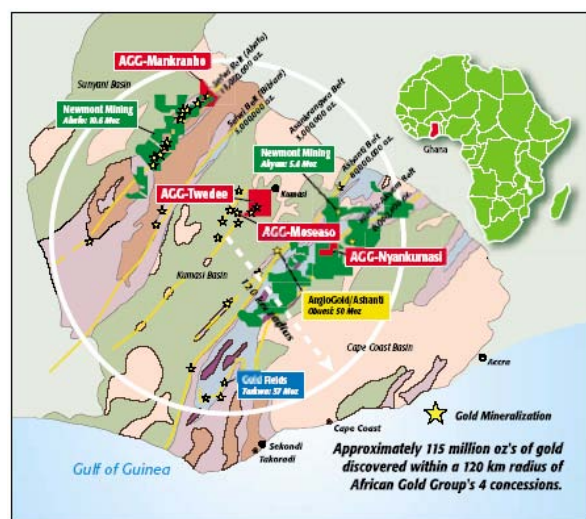
As described in this report, the northern segment of the Ahafo project is bordering to African Gold Group's Mankranho project. As said, the Mankranho is the only known mineralized property along strike on the Sefwi gold belt that Newmont does not own. **African Gold Group may prove to hold the missing link for Newmont.**

At the Akyem project, the feasibility study has been updated and just recently, the Newmont Board approved the go ahead for building the Akyem plant at a cost of \$ 525 million. **This decision will boost all activities in the area, also beneficial to African Gold Group's Nyankumasi project.**

the structural analysis of 6,445 meters of core derived from drilling 24 holes within a 2,500m x 1,500m vicinity of Area I, additional geochemical surveys throughout the concession, additional pitting and trenching programs and 3-dimensional IP geophysical surveys throughout the concession. Based on the outcome of these programs, future drill targets will be defined. **Also worthy of mentioning is that by completing these programs, African Gold Group has now earned its 85% direct interest in the Mankranho concession.**

The company will continue its working programs with the objective to systematically explore both surface, and in particular, subsurface targets along three major gold trends: **the Sefwi, Asankrangwa and Wasa-Akyem Gold Belts. In this respect, it should be emphasized that each of the three projects in Ghana is situated within 30 km trucking distance of existing milling infrastructures.**

In the **Asankrangwa Gold Belt**, the company has full title to the Twedee licence and an option to acquire the Moseaso License. These concessions are 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. Earlier this year, AGG expanded and strengthened its land position in this belt by the strategic acquisition of the Manso Nkwanta and



Assuowunu gold concessions as these concessions are contiguous with the Twedee and Moseaso licenses. The consolidated land package now comprises 449 km<sup>2</sup> with a known mineralized strike length of 24 km. This region of the Asankrangwa gold belt has a significant history of exploration as well as gold mining. Immediately to the south of the Manso Nkwanta concession, Resolute Resources mined approximately 30 million tonnes of ore grading 2.0 g/t gold from a number of pits at Nkran Hill, Adubiaso, Akwasiso and Abore. Immediately to the west and draining from the Assuowunu concession, Bonte Gold Mines produced approximately 500,000 ounces of alluvial gold from 1992 to 2002. To the immediate north, at Mpesetia, AngloGold Ashanti produced approximately 100,000 ounces of gold from open pit operations. **All of these sources of gold are believed to be structurally controlled and these structures are known to extend onto AGG holdings.** Previous operators, in the mid to late 1990's, carried out extensive preliminary exploration by way of regional geochemistry and geology, geophysics and trenching, producing a number of, as yet untested anomalies. It will be AGG's focus to incorporate this data into their own database derived from the company's work on the Twedee and Moseaso licenses.

In the **Wasa-Akyem Gold Belt**, African Gold Group controls 100% of the Nyankumasi Gold concession, covering approximately 71 km<sup>2</sup> in the northeastern section of the Ashanti Gold Belt, about 48 km east of AngloGold Ashanti's Obuasi Mine and about 30 km south-southwest of Newmont Mining's Akyem Project. To date, exploration work has resulted in the discovery of three significant gold-in-soil anomalies within the concessions. Further exploration work is required.

**With the strategically located interests in three of the major goldbelts in Ghana, African Gold Group is dedicated and well-positioned to become one of the more active exploration companies in this country of gold.**

--continued--



**MALI  
EMERGES RAPIDLY  
AS GOLD PRODUCER**

Mali has a centuries-old history as a source of gold produced by traditional mining techniques but no long-time mining history. Since 2001, gold ranks as the leading economic resource. At present, **Mali is the third largest gold producer in Africa.** Only since approximately 10 years, several gold producing mines have come on stream, as indicated by the strongly increased gold production from 6.3 tonnes in 1994 to 39.3 tonnes in 2004.

**AngloGold Ashanti** operates the Morila mine (510,000 ounces in 2004) with partners **Randgold Resources** and IFC; the Sadiola mine (459,000 ounces in 2004) in partnership with the government of Mali, **IAMGOLD** and IFC; the Yatela mine (242,000 ounces in 2004), with **IAMGOLD** and the government of Mali as its partners. On its own, **Randgold Resources** is bringing its Loulo mine on stream with 100,000 ounces of gold production in 2005 and reaching full production in 2006. After having been exploring and developing the project since 1994 and having completed the feasibility study in October 2002, **Newsun Resources** has commenced construction to build the Tabakoto mine. With initial production scheduled for December 2005, full commercial production is expected in 2006. During the first year of production at the Tabakoto mine, a decision will be made to bring its Segala mine to production or expanding the operations at Tabakoto by adding a second mill to the milling circuit to mine the Segala ore. Interesting to note is that just a few days ago, **GoldFields announced to make an entrance into Mali** by making an indicative offer to earn a 70% interest in Glencar Mining's Sankarani project.

**Several Canadian exploration companies are active in Mali. African Gold Group now joined them and aims to rapidly advance its projects.**

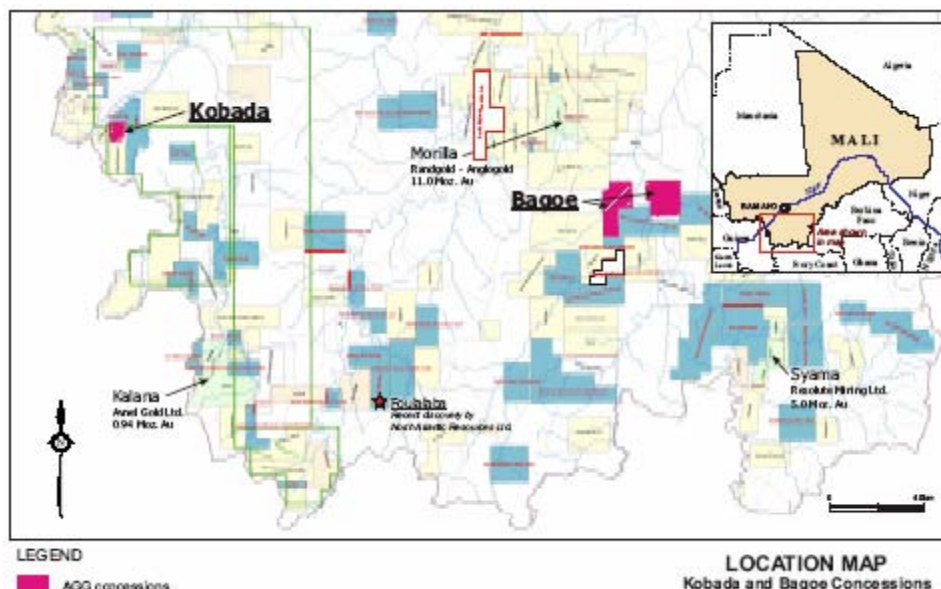
**AFRICAN GOLD GROUP  
EXPANDS ACTIVITIES INTO MALI**

**At the end of last June, African Gold Group, Inc. announced a significant expansion of its activities in Africa.** It entered into a Memorandum of Undertaking with Compagnie Minière d'Or ("Cominor"), of France, to purchase 100% of Cominor's assets located in **The Republic of Mali, West Africa.**

Entering Mali represents a significant milestone in the life of AGG, as it too has always been a part of its initial core strategy that dates back to the inception of the company. The opportunity to acquire the considerable potential of the Cominor concessions became available because Cominor's parent company Cogema, SA, one of the world's largest producers of uranium, is turning its primary focus on its core operations.

The acquisition comprises three exploration permits, for three separate mineral concessions, plus the body of reference material consisting of a historical data base for each of the concessions, derived from the past expenditure of approximately €5,000,000 in exploration and development capital, and a variety of ground transportation and exploration equipment. The three exploration permits are:

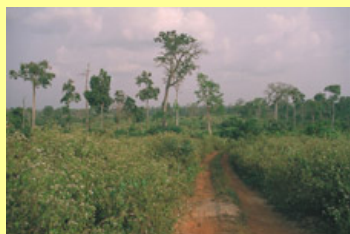
- The **Bagoe – West concession**, which comprises 183 km<sup>2</sup> of land located in the Sikasso Region,
- The **Bagoe – East concession**, which also comprises 183 km<sup>2</sup> of land located in the Sikasso Region;
- The **Kobada concession**, comprising 41 km<sup>2</sup> of land located in the Kangaba region.



After having reviewed and compiled the data base associated with the historical exploration programs that pertains to each of the three mineral concessions, AGG has commenced with an immediate mobilization effort to undertake a 1,000 meter diamond drill program at the Kobada concession, with the objective to confirm or verify drill results previously generated by BRGM and Cominor. Previous work has indicated some very encouraging results and the **drilling of some twinned holes and some deeper holes (beyond 125 vertical meters) should lead to a better understanding of the as yet unexplored bedrock geology and aims to investigate the presence of a low cost surface deposit and the deeper resource potential.** The results should come forward in the next few months and should provide the direction for further exploration programs on the newly acquired concessions in Mali..

---continued---

**GHANA  
PICTURE GALLERY**



**MINING IS A PEOPLE'S BUSINESS,  
AFRICAN GOLD GROUP IS A GOOD EXAMPLE**

In my Introduction Report, I expressed my confidence in the African Gold Group management team. As I described, the company was founded by four seasoned mining professionals who combine every necessary ingredient to build a successful mining company. They all have extensive expertise in mining and exploration through their previous occupations. Also, the aspects of running a public company and raising the funds required enabling the company to initiate and complete the exploration programs, are very well covered; President **Mike Nikiforuk** is very good at that. Of great importance is the specific experience and expertise in conducting business in African countries, which is well-represented by **Greg Hawkins**, who does not only have the know-how but also provides the physical presence; he has been residing in Ghana since almost 15 years and working even longer; until recently he was CEO, is still a Director and focussing on the technical aspects of the projects Ghana and Mali.

However, I find it very positive that the founders continue to strengthen the team when they see an opportunity to do so. In November 2004, a new Advisory Board was created with the appointment of two very strong members: Mr. **Randy Eppler**, who led Newmont's initiatives into Ghana, including the negotiation of Newmont's \$1 billion Investment Agreement with the Government of Ghana, and Mr. **Hank Reimer**, who had a most prominent reputation as a mining analyst with reputable brokerage houses and now acts as an independent consultant. In January 2005, Mr. **Ben Adoo** was appointed as a Director and elected as Chairman of the Board, after having functioned as Managing Director for Ghana Operations since September 2004. Mr. Adoo has over three decades of mining experience in Ghana and is recognized as one of the country's most senior mining executives. Just recently, a significant addition to the technical team was made by the appointment as Exploration Geologist of Mr. **Samuel Bosomtwe**, who served as Chief Geologist (Surface-Exploration) with AngloGold Ashanti's Obuasi mine and has a solid experience in planning, budgeting, monitoring and implementation of approved policies and strategies associated with grassroots exploration through to feasibility reporting.

Summarizing, with this group of Directors, Management, technical and corporate people, a strategically situated project base in Ghana, the exploration results that have been achieved so far, the friendly relationship that has been developed with big neighbour Newmont, a financially strong position, and the recent entrance in a rapidly emerging gold country like Mali, African Gold Group has assembled virtually all qualities that are required to achieve the original goals, i.e. build African Gold Group into a successful exploration company in the West African region, thus building value for its shareholders. Knowing the principal persons and their dedication rather well, I feel very confident that they will succeed in doing what they set out to do, in their own intelligent but prudent manner. With a current market capitalization of approximately C\$ 30 million, I think the company is only fairly evaluated. As the results of the ongoing exploration programs that AGG is conducting on its Ghana projects, in particular on the Mankranho concession, and now also the results that Newmont will have on their Ahafo exploration work in the vicinity of AGG's Mankranho project, will come through and as the first results at the Kobada concession over the next few months will confirm the potential of the Mali project, African Gold Group should gain even more recognition and acceptance from institutional investors.



**Henk J. Krasenberg**